

Higher Education for American Democracy

VOLUME V

Financing Higher Education

A REPORT OF THE
PRESIDENT'S COMMISSION ON
HIGHER EDUCATION

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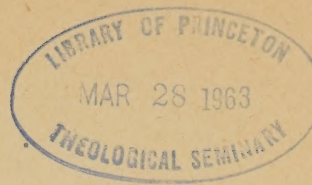
PRESENTED BY

Frederick P. Henderson

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Higher Education for American Democracy

VOLUME V

Financing Higher Education

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U. S. A REPORT OF THE
PRESIDENT'S COMMISSION ON
HIGHER EDUCATION



Washington, December 1947

Letter of Transmittal

THE PRESIDENT'S COMMISSION ON HIGHER EDUCATION

WASHINGTON, D. C., *December 11, 1947.*

DEAR MR. PRESIDENT:

On July 13, 1946, you established the President's Commission on Higher Education and charged its members with the task of examining the functions of higher education in our democracy and the means by which they can best be performed.

The Commission has completed its task and submits herewith a comprehensive report, "Higher Education for American Democracy." The magnitude of the issues involved prompted the Commission to incorporate its findings and recommendations in a series of six volumes, of which this is the fifth.

The Commission members and the staff are grateful for the opportunity which you have given us to explore so fully the future role of higher education which is so closely identified with the welfare of our country and of the world.

Respectfully yours,

GEORGE F. ZOOK,
Chairman.

THE HONORABLE
THE PRESIDENT OF THE UNITED STATES.

Letter of Appointment

THE WHITE HOUSE

WASHINGTON, D. C. *July 13, 1946.*

DEAR _____:

As veterans return to college by the hundreds of thousands the institutions of higher education face a period of trial which is taxing their resources and their resourcefulness to the utmost. The Federal Government is taking all practicable steps to assist the institutions to meet this challenge and to assure that all qualified veterans desirous of continuing their education have the opportunity to do so. I am confident that the combined efforts of the educational institutions, the States, and the Federal Government will succeed in solving these immediate problems.

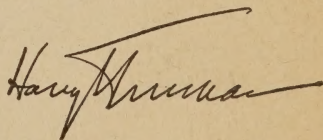
It seems particularly important, therefore, that we should now reexamine our system of higher education in terms of its objectives, methods, and facilities; and in the light of the social role it has to play.

These matters are of such far-reaching national importance that I have decided to appoint a Presidential Commission on Higher Education. This Commission will be composed of outstanding civic and educational leaders and will be charged with an examination of the functions of higher education in our democracy and of the means by which they can best be performed. I should like you to serve on this body.

Among the more specific questions with which I hope the Commission will concern itself are: ways and means of expanding educational opportunities for all able young people; the adequacy of curricula, particularly in the fields of international affairs and social understanding; the desirability of establishing a series of intermediate technical institutes; the financial structure of higher education with particular reference to the requirements for the rapid expansion of physical facilities. These topics of inquiry are merely suggestive and not intended to limit in any way the scope of the Commission's work.

I hope that you will find it possible to serve on this Commission.

Very sincerely yours,

A handwritten signature in dark ink, appearing to read "Harry Truman", with a long, sweeping horizontal line extending from the end of the name.

President's Commission on Higher Education

GEORGE F. ZOOK, *Chairman*

SARAH G. BLANDING
O. C. CARMICHAEL
ARTHUR H. COMPTON
HENRY A. DIXON
MILTON S. EISENHOWER
JOHN R. EMENS
ALVIN C. EURICH
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HAROLD H. SWIFT
ORDWAY TEAD
GOODRICH C. WHITE
Rabbi STEPHEN S. WISE

FRANCIS J. BROWN, *Executive Secretary*

A. B. BONDS, JR., *Assistant Executive Secretary*

Acknowledgment

The Commission gratefully acknowledges the enthusiastic cooperation and the invaluable assistance it has received from educational institutions and from individuals, organizations, and agencies both in and out of Government.

Dr. John R. Steelman, the Assistant to the President, in his official capacity as liaison between the various agencies of Government and the Commission took a deep and personal interest in its work.

Dr. J. Donald Kingsley, formerly Program Coordinator in the White House office, was extremely helpful in the initial development of the scope and content of the Commission's program. Acknowledgement is also due to John L. Thurston of Dr. Steelman's office for his work in forwarding the activities of the Commission.

Almost every agency and department of Government assisted the Commission in its task. Special appreciation is expressed to the United States Office of Education, the Bureau of the Census, the Bureau of Labor Statistics, the Department of the Army, and the Department of the Navy, the Department of Agriculture, and the Bureau of the Budget.

Through the cooperation of the American Council of Learned Societies, the American Council on Education, the National Research Council, and the Social Science Research Council, a special study was made of the faculties of thirty colleges and universities. The American Association of University Professors cooperated in extending the study of faculty personnel to members of its local chapters. The Association of Land Grant Colleges and Universities conducted a special survey of the extension activities of its member institutions. At the request of the Commission more than 50 professional and lay organizations submitted statements, or assembled data of much value.

Institutions of higher education and State Departments of Education in every State gladly and promptly supplied information requested by the Government Agencies through which the Commission carried on much of its research activities.

This demonstration of cooperation reflects the deep public awareness of the problems which face higher education, and is a matter of much gratification to the Commission. It is hoped that these cooperative relationships may, in themselves, suggest a pattern for the continuing cooperation of individuals, organizations, Government agencies, and institutions interested in the future welfare of higher education in America.

Dr. James E. Allen, Jr., Assistant Professor of Education, Syracuse University served as consultant to the Commission in the preparation of this volume.

The Commission is especially indebted to the members of its staff for the loyal, persevering and intelligent way in which they have served the Commission. Dr. Francis J. Brown, Executive Secretary, and A. B. Bonds, Jr., Assistant Executive Secretary, deserve special mention.

PREFACE

This is the fifth and last of the policy statements of the report, *Higher Education for American Democracy*, prepared by the President's Commission on Higher Education. This volume is an appraisal of the fiscal needs and policies necessary for the program of higher education recommended by the Commission in the four preceding volumes of its report.

This discussion of fiscal problems is the logical capstone of the Commission's conclusions. The goals of higher education have been charted; the plan has been drawn to broaden and equalize opportunity for higher education and to assist able, but financially handicapped students; the blueprint has been made for essential organizational changes; proposals have been presented for the expansion and improvement of the faculty. But Americans habitually and justifiably ask two questions of any program—"How much will it cost?" and "Where is the money coming from?"

In this final volume of policy statements the Commission offers its answers to both of these questions. But one fundamental thought underlies all of this Commission's pronouncements on fiscal policy. Expenditures for education cannot be regarded as costs in the usual accounting sense. These outlays are both investments in and insurance for the democratic future of a free people. Freedom is above price, and without knowledge there can be no freedom.

Higher education is a national service; the colleges and the universities are national in scope. The national character of these institutions must be recognized in their financial programs. By the same token, provision for adequate financing is a shared responsibility—shared by private initiative and by Government at all levels, local, State and Federal.

The four preceding volumes of the report, *Higher Education for American Democracy* are:

Volume I, "Establishing the Goals," issued on December 15, 1947.

Volume II, "Equalizing and Expanding Individual Opportunity," issued on December 22, 1947.

Volume III, "Organizing Higher Education," issued on January 12, 1948.

Volume IV, "Staffing Higher Education," issued on January 26, 1948.

The policy statements will be followed by Volume VI, "Resource Data," which will be a compilation of some of the essential materials used by the Commission as a basis for its findings and recommendations.

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Higher Education in 1960

RECOMMENDATIONS

OF THE PRESIDENT'S COMMISSION
ON HIGHER EDUCATION



ENROLLMENTS-4,600,000

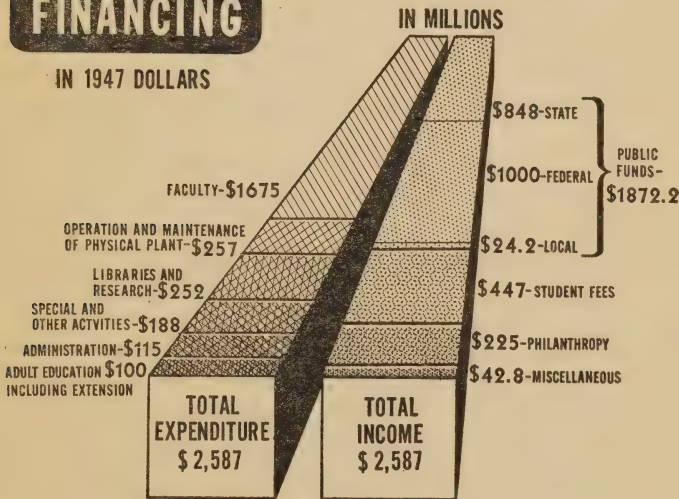
FACULTY-350,000

PHYSICAL PLANT-713,000,000 SQ.FT.

EDUCATIONAL EXPENDITURES-\$2,587
MILLION

FINANCING

IN 1947 DOLLARS



Needed: A Strong Financial Structure

The President's Commission on Higher Education was given the task of staking out the goals toward which America should move in meeting the needs for higher education of a nation dedicated to democracy. This assignment has been accepted as embracing both a quantitative and qualitative assessment of higher education as it should be in 1960.

The first four volumes of this Commission's report have been devoted to an examination of needs and issues and the presentation of broad proposals for coping with the problem of providing America with a quality program of higher education. In some instances, these proposals simply extend the statesmanlike efforts at improvement which are present in many of our institutions of higher education. In other areas, the proposals go beyond most current thinking. At all times, the suggestions and planning are founded upon the conviction that the strength and endurance of American democracy are inextricably identified with the existence of a broadly accessible, richly diverse, and soundly conceived program of education.

Free men in a free society must be morally and intellectually competent to make the judgments required by self-government. This is one of the great objectives of an educational system. Fundamental in American political philosophy is the thought that "Ye shall know the truth and the truth shall make you free."

It is not reassuring to learn that there is a dangerously large segment of the population still inadequately prepared to assume the full obligations of democratic citizenship in this country. The 1940 census revealed more than 10 million persons in the United States with less than a fourth-grade education. Of the American population 25 years of age and over in 1940, 60 percent had only an eighth-grade education or less. Fewer than one-fourth had completed 4 years of high school or more; only 10 percent had gone to college or beyond; and less than 5 percent had finished 4 or more years of college. And in 1947, there were about 41 million adults, about half of those 25 years of age

and over, who had not gone beyond the eighth grade. There has never been a year when as much as 16 percent of the college age population (18-21 years of age) was enrolled in institutions of higher education.

This unsatisfactory record of educational attainment must be viewed in terms of the pressing needs for more and better trained individuals to assume leadership in all phases of the nation's cultural, economic, scientific, and political life. The United States Bureau of Labor Statistics has estimated that the number of persons needed in professional and semiprofessional occupations probably will increase from 3.3 million in 1940 to 5.1 million in 1960. The administrative occupations, in which 3.7 million people were employed in 1940, are expected to require between 5.3 million to 5.8 million by 1960. For the field of education alone, it will be necessary to recruit and train more than 1 million new teachers between 1950 and 1960.

This Commission is convinced that the lack of adequate financial resources, on the part of individuals and institutions alike, represents the major barrier to the achievement of a desirable program of higher education aimed at meeting our national needs.

There is no dearth of potential talent to be developed: The volume of the Commission's report, "Establishing the Goals," showed that at least 49 percent of the population of college age could profit from and could complete 2 years of the current type of college education; and that at least 32 percent could profit from and could complete 4 years of college. There is no dearth of personal, social, or vocational activities which require training at the college level.

The major barrier arises from the fact that hundreds of thousands of the Nation's talented youth come from families too poor to enable them to undertake the task of getting a college education. This great waste can no longer be tolerated in a country whose Constitution affirms belief in equality of opportunity.

It is the conviction of this Commission that the needs, based on population trends and the individual and social requirements for higher education, noted above and described more fully in other volumes of the Commission's report, demand that the Nation begin at once to plan for a minimum college and university enrollment of 4,600,000 students by 1960. This is approximately twice the number of students enrolled in 1946-47. The volume of the Commission's report, "Staffing Higher Education," reveals that a total of 350,000 faculty members—more than double the present number—will be needed to provide effective instruction for this enrollment. This great expansion will require the closest attention to the maintenance of high standards of scholarship and the building of soundly conceived curricula. There must be unprecedented expansion of physical facilities and equipment.

The area of need is vast. The effort required to meet the need is equally great. This Commission believes that the American people will make that effort when they fully understand the stake involved.

A PROGRAM FOR ACTION

To meet the needs and demands for higher education in America, the President's Commission recommends that immediate steps be taken to put the following program into effect:

1. Public education through the fourteenth year of schooling be made available, tuition free, to all Americans able and willing to receive it, regardless of race, creed, color, sex, or economic and social status

For this purpose the Commission recommends that the program of education at this level be expanded and improved, so as to provide opportunities for a wide variety of general and vocational education for post-high school youth and adults. This should be done both in existing institutions and through much more extensive development than at present of strategically located community colleges and technical institutes with soundly conceived curricula. These proposals are discussed in detail in the volumes of the Commission's report "Establishing the Goals" and "Organizing Higher Education."

2. Student fees in publicly controlled institutions be reduced

Many young people with the ability to profit from higher education are denied the opportunity to receive it because of low family income. One-half of the children under 18 years of age in 1945 were in families whose money income was \$2,530 or less in that year, and more than a third were in families with incomes of less than \$2,000.

Low family income coupled with steadily rising educational costs presents a well-nigh insuperable barrier to many qualified students. By 1946 the average increase in fees over the 1938-39 level totalled almost 30 percent and other costs, such as board and room, had advanced even more sharply.

Since the Commission believes this trend must be reversed if the educational needs of the Nation are to be met, it is recommended that the publicly controlled institutions, at the earliest possible time, eliminate all tuition and other instructional fees in the thirteenth and fourteenth year and reduce their fees for instruction beyond the fourteenth year to the level for the academic year 1938-39. The Commission is particularly concerned with the high charges assessed in certain professional schools operated under public control. While the Commission does not recommend that fees be eliminated beyond the fourteenth year in the publicly controlled institutions, it does

believe strongly that they should be leveled off at a point which does not raise unduly an economic barrier to study.

It is recommended, therefore, that the publicly supported institutions maintain a fee beyond the fourteenth year adequate only to insure on the part of the student a sense of meaningful personal participation in the cost of his education.

While recognizing the necessity for the privately controlled institutions to maintain a balanced budget, the Commission is disturbed by the high fees assessed by such institutions and the continuing tendency toward further increases. The fees, in many instances, are so high as to eliminate almost completely the enrollment of students from low-income families, unless the institution accompanies such practices by a wide and generous program of scholarships and grants-in-aid to competent and needy students. The serious political, social, and educational implications of the economic barrier created by student fees are discussed in detail in the volume of this Commission's report "Equalizing and Expanding Educational Opportunity."

3. Immediate steps be taken to establish a national program of Federally financed scholarships and fellowships as a means of removing further the economic barrier and enabling our most competent and gifted youth to obtain for themselves and for society the maximum benefits to be gained from higher education

Not only is it important for the welfare of the Nation that adequate low-cost opportunities for higher education be made available to all the people of America, but it is of utmost importance that the Nation's most-talented youth be encouraged and given the opportunity to continue their education to the fullest extent possible. For this reason the Commission advocates: (1) that a continuing Federal appropriation for undergraduate scholarships be established beginning with \$120,000,000 in 1948-49 and continuing each year for the succeeding five years in an amount sufficient to provide scholarships for 20 percent of the nonveteran undergraduate enrollment; (2) that in addition to existing Federal fellowship program a new program be established for graduate students through the appropriation of sufficient funds to provide 10,000 grants of \$1,500 each in 1948-49, 20,000 grants in 1949-50, and 30,000 grants in 1950-51, 1951-52, and 1952-53; and (3) that before 1953-54 the program of scholarships and fellowships be reexamined with a view to expanding it.

On the basis of the anticipated enrollment in 1948-49, the granting of scholarships to 20 percent of the nonveteran undergraduate enrollment would provide assistance to some 300,000 students. This would be in addition to the 10,000 fellowships also proposed for the first year of the program.

As described in volume II, the Federal Government has already initiated a number of scholarship and fellowship programs. This Commission recommends that at the earliest possible time, the administration of all such programs be unified under a single agency; and that grants for scholarships and fellowships be made generally available rather than for study in specified areas. It should be emphasized, however, that the program of aid recommended by this Commission is to be in addition to all funds appropriated and available under existing legislation for scholarships and fellowships.

4. Federal aid for the current operating costs of higher education be provided, beginning with an appropriation of \$53,000,000 in 1948-49 and increasing annually by \$53,000,000 through 1952-53, for the purpose of assisting the States in maintaining and expanding publicly controlled institutions of higher education in accordance with the program recommended by this Commission ¹

This Commission estimates that the cost of its recommended potential program for higher education if fully realized will be \$2,587 million in 1960. Assuming that privately controlled colleges and universities will maintain in the future a total enrollment about equal to their enrollment in 1946-47, it is estimated that the cost of the proposed program to be financed in institutions under public control will be \$2,081 million in 1960. On the basis of estimated income available from local governments, greatly expanded appropriations by State governments, reduced student fees, and miscellaneous sources, it must be planned to meet a deficit of \$638 million in 1960.

To erase this deficit by that date and to move immediately toward the full realization of the proposed program, this Commission recommends that the Federal Government appropriate for the fiscal year 1948-49 an amount equal to one-twelfth of the deficit to be planned for, and that the appropriation be increased each year by \$53,000,000 until and including 1952-53.

It is recommended that the Federal appropriations be allocated to the States on an equalization basis, in accordance with an objective formula designed to take account of the relative needs of the States for higher education and their relative abilities to finance those needs.

Prior to 1953-54 the amount of Federal aid needed and the method of allocation should be reexamined and, if necessary, expanded and revised.

¹ The following Commission members wish to record their dissent from the recommendation of the Commission that public funds for operating costs and capital outlay be made available only to publicly controlled institutions: Msgr. Frederick G. Hochwalt and Martin R. P. McGuire. The statement of dissent appears on p. 65 ff. of this volume.

5. **Federal aid for capital outlay be provided through an annual appropriation of \$216,000,000, beginning with the fiscal year 1948-49 and continuing through 1952-53, for the purpose of assisting the States to meet the needs for adequate physical facilities for instruction in institutions under public control**

To provide adequate plant facilities for instructional purposes for the program of higher education recommended by this Commission the additional physical plant will cost about \$8,064 million by 1960 (1947 dollar values and price levels), \$7,758 million of which is for institutions under public control. On the basis of a 12-year building program, the average annual cost for publicly controlled institutions would be \$647,000,000. The foregoing recommendation calls for one-third of this amount to be provided by the Federal Government, the remainder to be provided by State and local governments.

It is recommended that the Federal aid for capital outlay be allocated on an equalization basis, in a manner similar to that proposed for current operating purposes.

6. **Adult education be extended and expanded, and the colleges and universities assume responsibility for much of this development**

The financing of adult education is a part of the total financial program, since it must be an integral part of the total educational services of colleges and universities.

GUIDING PRINCIPLES IN FINANCING THE PROPOSED PROGRAM OF HIGHER EDUCATION

In arriving at the recommended program for financing higher education, this Commission has been guided by certain fundamental principles. These basic principles are:

1. *The program of financing higher education should presuppose a sound and effective system of education for all youth at the elementary and secondary school level.*

2. *The plan of finance should recognize the social importance of higher education and the Nation's interest in such a program.*

3. *The funds provided for the support of higher education should be adequate. All elements and all levels of the program should be supported adequately, or at best the program will meet with limited success.*

4. *The plan of finance should assure equality of opportunity. Economic barriers to equal opportunity should be nullified in favor of making ability and interest the only criteria for admission to an institution of higher education.*

5. *All of those responsible for higher education—individuals, communities, States, and the Nation—should bear an equitable share of the financial burden.*

6. *The plan of finance should recognize State responsibilities for higher education. It should encourage the States to plan and direct education in accordance with the best interests of the individual, the State, and the Nation.*

7. *The plan should encourage the free flow of private funds to the support of higher education. The Commission does not contemplate complete public support of higher education, but rather it believes that the welfare of the Nation can best be served by the continuance and vigorous expansion of private as well as public support of institutions of higher education.*

8. *The program of finance should emphasize the need for partnership between the Federal Government, the States, and the local communities in the support of an adequate program of higher education. The role of each partner should be established in terms of the social, economic, and educational welfare of the nation. Objectives in fiscal policy should be correlated with objectives in social and educational policies.*

The purpose of this volume is to examine the conditions underlying the Commission's recommendations for financing higher education outlined in this chapter and to discuss the problems and issues involved in arriving at these recommendations. In the chapters which follow, consideration will be given to the cost of the proposed program of higher education, the sources of income available to finance that program, and the role which the Federal Government should play in financing higher education.

The Cost of Higher Education

The amount to be spent for higher education in America depends entirely on the program to be conducted. The number of students, the breadth of functions and services to be provided, the quality of the program, are the most important factors in determining cost.

Prior to World War II enrollment in institutions of higher education has been steadily increasing, both in total number of students and in relation to youth of college age. But even so the 1½ million students enrolled in 1939-40 was equivalent only to less than 16 percent of the population 18-21 years of age.

Could it be that this percent represented the maximum proportion of the population that could profitably benefit from post-secondary school education? The answer to this question is "no." The results of the Army General Classification Test, given during World War II to about ten million men representing a broad cross section of the American population, demonstrate that a minimum of 49 percent of the people could profit from at least 2 years of college work, and that at least 32 percent have the ability to complete 4 years of higher education. On the basis of these findings, this Commission concludes that during 1960 at least 4,600,000 students could profit from appropriate opportunities for higher education.

The functions of higher education are multiple and varied. In general, they fall into two main categories: teaching and research. But under each of these there exists a highly diversified list of purposes and practices. These include instruction in the arts, humanities, and the social and natural sciences. They include general education common to the needs of all individuals and specialized education designed for the interests and abilities of the relatively few but equally important to the welfare of all. They include training in scores of fields of professional and vocational service. They include the search for greater knowledge and understanding in all areas of our national and international affairs, and for better ways of applying knowledge and understanding to the business of everyday living.

WAYS OF CONSIDERING THE COST

There are several ways of considering the cost. The two which have the greatest significance with respect to planning for the future are: the class of expenditure and the type of institutional control. The latter is of particular importance in considering the means of financing the cost. In this chapter, the recommendations of the Commission will be presented in terms of their cost by class of expenditure. In the chapter which follows, the financing of the cost will be treated by type of institutional control.

There are three major classes of expenditures: (1) current educational expenditures, often called general and educational expenditures; (2) capital outlay; and (3) expenditures for auxiliary enterprises and other noneducational purposes. Current educational expenditures include expenditures for faculty salaries, libraries, research, operation and maintenance of the educational plant, administration, extension services, and organized activities related to instruction such as clinics associated with medical and dental schools, demonstration schools and similar activities. Capital outlay includes expenditures for land, the construction of new buildings and the major renovation or repair of old buildings. Expenditures for auxiliary enterprises are in a separate category since these activities usually are self-maintaining and sometimes, self-liquidating or even profit-making operations such as book stores, university presses, dormitories, and residence halls. Other noneducational expenditures include scholarships and other forms of student aid and interest on institutional indebtedness.

Research in educational finance has shown that the quantity and quality of the educational program are closely related to the level of expenditures. In general, though not always, low expenditures per student indicates poor quality of education: less competent instructional staff, meager curriculum, poor and insufficient equipment. On the other hand, high levels of expenditure are usually associated with competent instruction: a well-rounded curriculum, good equipment and library facilities, and, in general, a high-quality program of education.

The level of the educational program offered will occasion wide variation in costs. Junior college education, for example, is generally less expensive to provide than advanced or professional training. The kinds and extent of services offered such as counseling, health activities, and testing of students are other variable factors. The quality of the grounds, plants, and buildings, as well as the standards for their operation and maintenance are still another set of variables.

In estimating costs, as well as income (considered in the next chapter), it is necessary to determine the proportion of the load privately

and publicly controlled institutions each will carry in providing for the needs of higher education. In making that determination this Commission has assumed that whatever the distribution, the prime objective is to assure in all institutions the best possible program of education which available money can buy, regardless of the form of control. In other words, the quality of the program should not be sacrificed for increased enrollment. It follows, therefore, that the load to be borne by privately controlled institutions should not exceed that which these institutions can support adequately with the potential yield of the sources of income available to them.

With this in mind, and after considering the enrollments in privately controlled institutions just prior to and after World War II, the potential income available, as well as the cost of the recommended program, it is the considered opinion of this Commission that in the future, certainly up to 1960, the privately controlled institutions will be able to serve each year about 900,000 students. Although individual institutions may increase their enrollment, it is believed that the total number of students in all these institutions will remain at about this number. And 900,000 is approximately the total number enrolled in all these institutions during 1946-47.

Thus, it is concluded that the great expansion in numbers to be served by higher education will of necessity be borne by institutions publicly controlled.

The problem then, is to determine the cost of the recommended program of higher education for the number of individuals who should be served in both publicly and privately controlled institutions.

CURRENT EDUCATIONAL EXPENDITURES

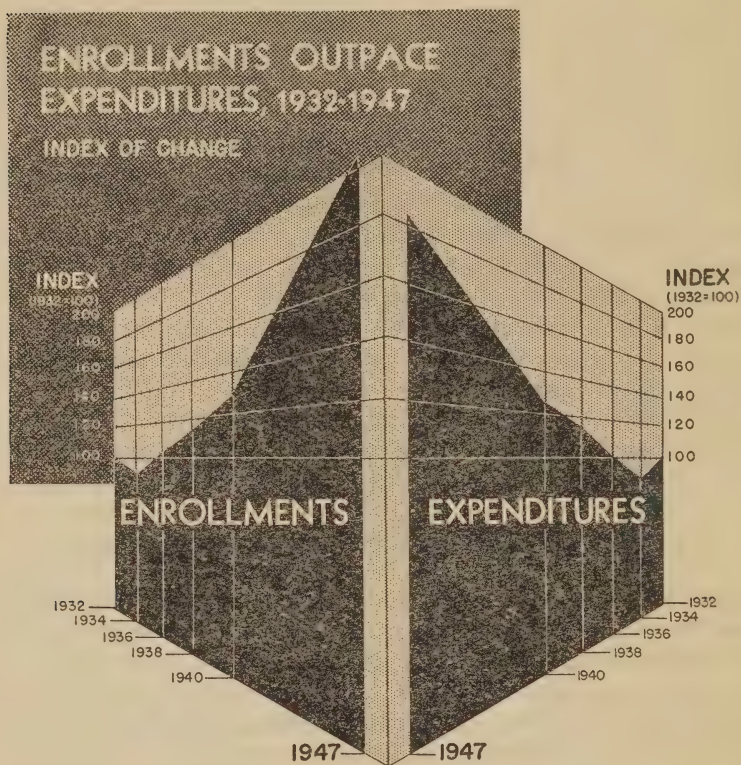
Current educational expenditures are the basis for the day-by-day operation of the educational program. The construction of new buildings may be delayed, or the expenditures for such capital needs may be spread over a period of time. But expenditures for instruction and its related activities, and for the operation and maintenance of the buildings and ground cannot be delayed or prorated. They must be met on a current financial basis.

The operating or current educational expenditures for all institutions of higher education totaled over one billion dollars in the fiscal year ending June 30, 1947, and were nearly double the amount spent in the fiscal year 1940. This tremendous increase was due in part to a decline in the purchasing power of the dollar; but in large measure it was due to the rapid rise in enrollment at the conclusion of World War II.

Over the period 1932 to 1940, the rate of rise in expenditures closely paralleled that in enrollments, with a slight but significant tendency

for expenditures to lag behind. The World War II years (1941-46) represented an abnormal period for colleges and universities due to the sharp decrease in civilian enrollment and the increase of short-term military students on many campuses; therefore, the relationship between enrollment and expenditures during that period cannot be compared fairly with those for more normal times. In 1947, the relationship changed markedly, occasioned by the impact of the veterans program. (See chart 2.)

Chart 2



SOURCE: U.S. OFFICE OF EDUCATION
"ENROLLMENTS" ARE RESIDENT
ENROLLMENTS. "EXPENDITURES" ARE
CURRENT (EDUCATIONAL) EXPENDITURES
BY INSTITUTIONS, FOR FISCAL YEAR
ENDING JUNE 30.
1947 EXPENDITURES EQUATED TO
AVERAGE 1932-1940 EDUCATIONAL DOLLAR

The figures for 1947 reflect the overcrowded conditions on campuses throughout the country, due to the sudden return of servicemen; they reflect the large classes, shortage of teachers, double and triple shifts in the use of buildings, overcrowded libraries and laboratories—all of

which have reduced the level of expenditures in relation to enrollment. *Yet even prior to World War II the slight downward trend in the ratio of expenditures to enrollments evidenced an unfortunate tendency during a period when America was in the greatest need of trained leaders and a highly informed citizenry. The task ahead is to reverse that tendency and to place expenditures upon a level commensurate with the responsibilities of higher education in a democracy.*

Looking to the future, the current education program required to provide the quantity and quality of higher education envisioned as desirable by this Commission calls for much larger sums of money, namely, \$2,587,000,000 by 1960 as well as expanded Federal scholarship and fellowship programs and large sums for capital outlay. But the numbers to be educated are also large, and only by raising the level of expenditures to these levels can America fulfill its obligation to the youth of the nation and to society in general.

(In order to establish comparable data in this report, all fiscal estimates for future years are presented in terms of the average value of the dollar during the fiscal year ending June 30, 1947.)

The expenditures for publicly and privately controlled institutions may be estimated separately on the basis of the number of students to be served by each, assuming that the cost of a type or given level of education should be the same per student whether that education is offered under public or private auspices. For purposes of estimation it is assumed that in the future the distribution of enrollments by year levels will be similar in both types of institutions, although there is reason to expect that the great expansion at the thirteenth- and fourteenth-year levels will be found largely in institutions under public control. Table 1 gives the recommended expenditures for 1952 and 1960 by type of control of the institution. The data for 1952 are shown only as a point of interest.

TABLE 1.—*Recommended potential enrollments and expenditures in 1952 and 1960 by type of institutional control*

[Based on Commission's appraisal of needs]

	Publicly controlled institutions		Privately controlled institutions	
	1952	1960	1952	1960
Enrollment-----	2, 985, 000	3, 700, 000	900, 000	900, 000
Expenditures for current educational purposes (1947 dollars)-----	\$1,675,000,000	\$2,081,000,000	\$506, 000, 000	\$506, 000, 000

In determining the amounts needed for the total current expenditures in 1960, separate consideration has been given to each of the major subcategories included under current educational expenditures. Consider, first, the needs for faculty salaries and other costs of instruction.

Faculty Salaries and Other Costs of Instruction

High quality instruction is the number one requisite of higher education. Unless there is an adequate number of competent faculty members in our colleges and universities, the best in higher education cannot be attained.

In the volume of its report "Staffing Higher Education" this Commission found that a total of 300,000 teaching faculty members would be needed by 1960 to serve the enrollments recommended by this Commission. In addition, there would be required for administrative and special services 50,000 staff members. These faculty personnel are needed to give the quality and quantity of education deemed necessary for the minimum numbers who should receive higher education.

But more than an adequate number of teachers is needed to assure high quality of instruction. Faculty salaries in colleges and universities in the spring of 1947 had increased on the average less than 30 percent since the fall of 1940. This is in contrast to an increase from October 1940 to June 1947 of 88 percent in wages of manufacturing employees. For the same period the cost-of-living index had risen 57 percent. Contemplated salary increases for the fall of 1947 averaged only 8 percent, according to a survey of 30 representative institutions made for the Commission.

It was pointed out in "Staffing Higher Education" that to bring faculty salaries up to a standard comparable with nonacademic schedules that have been established, with professional earnings in other fields, and with salaries and wages in general calls for at least a 50-percent increase above the 1946-47 salary level.

Other important factors in providing high quality instruction are an adequate quantity of appropriate, up-to-date instructional aids and supplies and additional clerical services to aid the teaching and administrative faculty. Such materials and personnel are indispensable aids to good instruction. They must be adequately provided for in the budget for instruction.

Complete achievement of this Commission's recommendations would mean that in terms of 1947 dollars an expenditure of almost 1½ billion dollars for faculty and instruction will be necessary annually by 1952; and by 1960, \$1,675,000,000 will be required.

Libraries

The library is second only to the instructional staff in its importance for high quality instruction and research. Almost every top

ranking college and university is noted for the quantity and quality of its library books and facilities.

According to a report of the Association of College and Reference Libraries, American institutions of higher education contained in their libraries in 1940 approximately 72,000,000 volumes. The expansion of enrollment and the more diverse curricula recommended by this Commission will require a great increase in library books, materials, and equipment. At the higher levels of the educational program there is need for more research materials in all fields. With the development and expansion of programs in such areas as adult education, a still larger number of books and materials will be required.

In a special report to the Commission, the American Library Association stated that \$18 to \$25 per student, depending upon the size of enrollment, is the minimum annual expenditure required to operate and maintain efficiently a college library. In 1940, institutions of higher education spent, on the average, only \$13 per student for libraries. This means that \$19,500,000 was spent for libraries in 1940. Considering \$20 per student to be a reasonable national average, \$78,000,000 would be needed by 1952, and \$92,000,000 by 1960.

Operation and Maintenance of Physical Facilities

Shortages and uncertainties in institutional income have forced many colleges and universities to restrict the amounts spent on buildings, grounds, and equipment, to make temporary repairs, and, in general, to maintain low standards of operation and maintenance. Eventually, such apparent economy is paid for at a high cost as buildings deteriorate and require renovation or replacement. World War II exaggerated this long-standing practice. The lack of materials and equipment, as well as the high cost and shortage of labor, have added further to the tremendous needs for repair and maintenance of physical facilities.

Substandard practice in this area seriously interferes with the quality of instruction and research. Timely replacements, repair of equipment, and continuous upkeep and modernization of the educational plant are direct assets to high quality performance, as well as absolute essentials to sound economy.

An annual expenditure equivalent to 2 percent of the replacement value in educational buildings and equipment is deemed by authorities in plant management to be a fair standard for efficient operation and maintenance of the educational plant. Evidence at hand indicates that in recent years most institutions have been unable to approach this standard.

The amounts needed for the operation and maintenance of the physical plant bear direct relationship, then, to the current replacement

value of that plant. Later in this chapter the value of the plant will be discussed. But here it need only be said that, on the basis of this Commission's estimate of the plant size required for the achievement of its recommendations, the amounts required to operate and maintain the plant facilities needed by 1952 and 1960 will be \$217,000,000 and \$257,000,000, respectively.

Other Educational Expenditures

In addition to the three items to which specific mention is made above, funds are needed for research, adult education (including extension), general administration, and the manifold other activities related to instruction.

Research. Research is an integral part of the activities of the higher-education system. Its importance and the need for its expansion, development, and strengthening in the institutions has been stressed in other reports of this Commission. The President's Scientific Research Board has considered in detail nation-wide research activities in the natural, biological, and medical sciences and the part institutions of higher education should take in such a national program. The estimates of expenditures for research made herein, therefore, are based in part on the report of that Board.

It is difficult to estimate the amounts of their own funds the universities will spend for this activity: some portion of the research personnel will be on the faculty conducting and supervising research as a part of the teaching function and, therefore, their salaries would not be charged against "Research"; some of the research will undoubtedly be done under direct grants from the Federal Government or other interested groups; some will be possible through special grants from foundations. Of the amount recommended by the President's Scientific Research Board as necessary for basic research in the natural, biological, and medical sciences (\$400,000,000 in 1957) it cannot be expected that institutions of higher education will be able to absorb, as a portion of their operating budgets, more than 25 percent of the total. This 25 percent would be in addition to any grants made in accordance with the Scientific Research Board's recommendation "That the Federal Government support basic research in the universities and nonprofit research institutions at a progressively increasing rate, reaching an annual expenditure of at least \$250,000,000 by 1957."

It is recognized that research in the social sciences and other fields, while certainly as important as that in the fields considered by the Board, is less expensive to conduct. The estimated cost, based in part on the findings of the President's Scientific Research Board, of a desirable level of institutionally supported research is:

	1952	1960
Natural, biological, and medical sciences.....	\$60,000,000	\$100,000,000
Social sciences, the humanities and other fields.....	40,000,000	60,000,000

Adult education (including extension). Again this is an area in great need of development, expansion, and strengthening. The exact amount now being spent by institutions of higher education for adult education is not known. Under the classification of "Extension," which includes certain activities properly defined as adult education, the United States Office of Education reported that all institutions spent in 1939-40 approximately \$35,300,000. From this it would appear that the amount spent for adult education is, indeed, small.

The problem of adult education has been given extended attention by this Commission. A group of specialists in this field was called together by the Commission to discuss the organization and special techniques of adult education. On the basis of the evidence which this group presented, it is recommended that a total annual expenditure of at least \$100,000,000 be provided, including that now expended, to launch properly the full-scale program envisioned as the responsibility of institutions of higher education. Proposals for this program are discussed in greater detail in the volume of the Commission's report on "Equalizing and Expanding Individual Opportunity."

Special services. These include central services for personnel testing, evaluation services for the improvement of instruction, educational and vocational guidance services, instructional laboratories, and similar activities necessary in any sound educational program. The vast needs for these services have been described in the volumes "Equalizing and Expanding Individual Opportunity" and "Staffing Higher Education." The cost of these services is meager in comparison with the gains which accrue to the quality of instruction. Furthermore, as the number of students becomes larger, the cost per student of such services becomes smaller. The absolute amounts, however, should never be niggardly. It is estimated that \$75,000,000 by 1952 and \$90,000,000 by 1960 are the minimum amounts needed for these important services.

General administration. As a rule of thumb, based on general practice, expenses of general administration should not exceed more than ten percent of the current operating budget. In this budget for the future needs of higher education, the salaries of the professional members of the administrative staff have been included under "Faculty," above. In addition to these amounts, however, should be added \$95,000,000 by 1952 and \$115,000,000 by 1960 for the salaries of the clerical staff and the other expenses of administrative operation.

Other activities related to instruction. Demonstration or model schools, medical clinics, and other appropriate activities associated with an adequate program of instruction in professional schools are included in this category. Based on past experience, it is estimated that \$80,000,000 by 1952 and \$98,000,000 by 1960 should be provided for the support of these activities.

Summary of current educational expenditures

The foregoing estimates of the amounts needed in the various categories of current expenditures have been arrived at on the basis of the Commission's recommended program for the future of higher education. This program includes a broad expansion of appropriate educational programs at the thirteenth- and fourteenth-year levels; it includes the expansion and strengthening of higher education at the more advanced levels, part of which is the program of professional and graduate study; it takes account of the needs for research and adult education. Underlying the whole of the estimates given is the basic conclusion by this Commission that the needs and demands for higher education, as well as the potential numbers in the population who can profit from it, are such that the enrollment goal should be at least 4,600,000 in 1960.

The amounts needed for the current educational program in 1960, the size of the faculty, and the enrollment upon which they are based are summarized in table 2.

TABLE 2.—*Enrollment, faculty, and current educational expenditures for higher education in 1960 for the program recommended by the President Commission*

	<i>Recommended for 1960</i>
Resident enrollment-----	4, 600, 000
Faculty-----	350, 000
<hr/>	
Current educational expenditures (1947 dollar values)-----	\$2, 587, 000, 000
<hr/>	
Faculty-----	\$1, 675, 000, 000
Libraries-----	92, 000, 000
Operation and maintenance of educational plant-----	257, 000, 000
Organized research-----	160, 000, 000
Adult education (including extension)-----	100, 000, 000
Special services-----	90, 000, 000
Administration (other than salaries of administrative faculty which are in "Faculty")-----	115, 000, 000
Other activities related to instruction-----	98, 000, 000

CAPITAL OUTLAY

The replacement value of the physical plant used for instructional purposes by America's colleges and universities in 1947, was estimated to be 4 billion dollars. This did not include the value of extensive

additional facilities devoted to housing and other noneducational purposes.

The large post-World War II enrollment in the colleges and universities of the country has severely taxed the present physical facilities. Temporary and emergency buildings have had to be erected on almost every campus to meet the unprecedented situation. ***A major building program of tremendous proportions must be undertaken immediately to provide adequate educational and noneducational or housing facilities of a permanent type for the present and anticipated enrollments in higher education.*** Many colleges and universities have already embarked upon extensive building programs.

Instructional Plant

The crowded conditions on the nation's campuses in 1946-47 reduced the available gross floor space to a national average of less than 110 square feet per student, as compared with an average of about 155 square feet before World War II. The gross square feet per student is a standard measure of adequacy of the educational plant. Gross floor space includes classrooms, laboratories, libraries, and the like, as well as space not available for instructional use such as corridors, closets, basements, and furnace rooms.

Even a pre-World War II average of 155 square feet per student did not provide adequate floor space in all cases. While there is some evidence that a national average of 175 square feet might be desirable, this Commission believes that with maximum utilization of plant facilities, the future needs of higher education can be satisfied effectively with a return to the prewar average of 155 square feet per student. The maintenance of this average for the number of students for whom higher educational opportunities should be provided, will require a vastly expanded plant and large capital outlays.

The United States Office of Education, on the basis of a survey made in the spring of 1947, estimates that the Nation's institutions of higher education at that time had a gross floor capacity of 222 million square feet. This amounted to less than 110 square feet per student, far too low for efficient college work. Based on reports received from institutions of higher education, as part of that survey, it appears that there is assured by 1950 an additional 12 million square feet of temporary space and 31 million square feet of permanent space. Much of this temporary space will be converted into permanent structures, and cannot be disregarded in estimating the available space. The size of the plant needed by 1960 to take care of the program recommended by this Commission is vastly larger than that available or assured, and the gap to be filled requires the immediate initiation of a huge building program.

TABLE 3.—*Size of educational plant needed in 1960 to fulfill program recommended by the President's Commission on Higher Education*

	Gross floor space (million square feet)
Space available in the spring of 1947 ¹ -----	222
Additional space assured by 1950 ¹ -----	43
Additional space needed by 1960 to fulfill Commission's recommended program-----	448
Total space needed in 1960-----	713

¹ Source: U. S. Office of Education.

Replacement or current construction cost of buildings is a sound measure of the value of an educational plant. Market or resale value is inadequate since such structures rarely have any value in the open market because of their specialized nature; the original value less standard depreciation fails as a sound measure because it does not consider changes in the value of money nor the fact that the level of maintenance and repair is presumed to keep the plant in good, modern condition.

In 1946-47 the estimated cost of constructing and equipping a building for college or university purposes, based upon data provided by the Federal Works Agency, varied from about \$18 to \$20 per square foot, depending upon the type of building, type of equipment, and the area in which it was erected. This does not include the cost of land. Considering \$18 per square foot as a reasonable estimate of the replacement or current (1946-47) construction cost, **the plant needed by 1960 will be one with a value of about \$12,800,000,000.**

TABLE 4.—*Estimated value of educational plant needed in 1960 to fulfill recommended program (1946-47 replacement costs)*

	Value (in millions)
Spring 1947 plant-----	\$3, 996
Additional space assured by 1950-----	774
Additions needed by 1960 to fulfill Commission's recommended program-----	8, 064
Total value of educational plant needed by 1960-----	12, 834

As stated before, it is assumed that the publicly controlled institutions will of necessity bear the major part of the needed expansion, and that the privately controlled institutions will stabilize their enrollments at about 900,000 students. On the basis of these assumptions, the replacement value of the facilities needed by the privately controlled group would be \$2,520,000,000. Data from the United States Office of Education show that in the spring of 1947 a little less than half of the space was in the privately controlled institutions; however, data are not available at the time of the writing of this report on the breakdown of assured space by 1950 as between publicly and privately

controlled institutions. Assuming that the 43 million square feet assured by 1950 might be allocated upon the basis of existing space in the spring of 1947, the privately controlled institution would still require an additional 17 million square feet, with a 1947 replacement value of \$306,000,000.

The size and cost of the educational plant facilities required for both privately and publicly controlled institutions to provide for an enrollment of 4,600,000 students in 1960 are shown in table 5.

TABLE 5.—*Size and value of educational plant needed in 1960 to fulfill recommended program, by type of institutional control*

[In millions]

	Total	Publicly controlled institutions	Privately controlled institutions
Total recommended:			
Floor space.....	713 square feet.	573 square feet.	140 square feet.
Replacement value (1947 dollar value).	\$12,834.....	\$10,314.....	\$2,520.
Additions needed beyond that available or assured by 1950:			
Floor space.....	448 square feet.	431 square feet.	17 square feet.
Replacement value (1947 dollar value).....	\$8,064.....	\$7,758.....	\$306.

Noninstructional Plant

The amount of residential or housing space required is subject to much discussion and interpretation. The United States Office of Education estimates that there were about 120 million square feet of such institutional space in the spring of 1947, with an additional 35 million square feet assured by 1950. That amount of space is supplemented by noninstitutional housing in rooming houses, private clubs, and off-campus residences. Of the institutions in existence in that year, about 15 percent did not provide housing space. It is to be expected that as the proposed community college program expands, increasing proportions of students will live off-campus in their own homes.

Noninstructional or housing space provided by institutions is generally self-supporting, and in some instances self-liquidating. It may even produce income in excess of operating cost. Prior to 1930, the construction of most dormitory facilities was financed out of philanthropic gifts or direct appropriation in the same manner as the instructional plant was financed. The great impetus toward the self-liquidating type of dormitory financing came during the 1930's when

funds were made available to publicly controlled institutions by the Federal Government through the Public Works Administration and the Reconstruction Finance Corporation. Privately controlled institutions, also under pressure for increased dormitory facilities, in many cases set up separate corporations which issued bonds to finance the construction. In both types of institutions, there was need for self-liquidation of the projects and rates were established accordingly.

Dormitory residence for students living away from home is generally considered the more desirable for students: it offers group living and the benefits to be derived from sharing; it gives the institutions the opportunity to guide students into adjustment to adult independent life; it affords the student clean, comfortable quarters, a factor which of itself contains a high educational value. To make these facilities self-liquidating, however, it may be necessary to establish room rates so high as to be economic barriers to many students who would otherwise take advantage of this type of housing. Self-liquidation should be minimized, therefore, in favor of assuring the advantages of dormitory life to all students requiring that type of accommodation.

Noninstructional or housing facilities should be financed, if they must be self-liquidating, at low rates of interest with long periods granted for retirement of the debt. Should private credit agencies not be able to offer such terms, the financing of dormitory and residence hall construction offers a very proper area for public financing by local, State or Federal Government. The Federal Government offers this type of financing, through the Reconstruction Finance Corporation, to publicly controlled institutions. It is not expected, however, that the need for additional dormitory facilities will be as great as it might at first appear, since a large proportion of the expansion in enrollment will take place in community colleges and other institutions students of which do not require living accommodations.

AUXILIARY ENTERPRISES AND OTHER NONEDUCATIONAL ACTIVITIES

Several items, other than those described above, help to make up the total expenditures for higher education. These items are either self-supporting or separately financed. As a rule they do not represent an added burden on the current or capital budgets of colleges and universities. In fact, they are often a source of additional income. They include such auxiliary enterprises as dining halls, student unions and book stores; also they include certain other expenditures, classified as noneducational in type, such as grants-in-aids or scholarships to students and interest on indebtedness.

In the case of scholarships, the United States Office of Education reported that in 1946-47 colleges and universities had available approximately \$25,000,000 for various types of aids to students, of which the publicly controlled institutions had about 25 percent and the privately controlled institutions the remainder. In the volume of its report "Equalizing and Expanding Individual Opportunity," this Commission has recommended a vastly expanded program of aid to students, a program which in its fullest operation will approximately equal the Federal aid now being provided to veterans.

The precise amounts being expended for interest on indebtedness by institutions of higher education is not known. An informed estimate is approximately \$5,000,000 per year with the privately controlled institutions paying the major proportion. The desirable situation would be, of course, for the institutions to be free of debt and for this item, therefore, to be reduced to zero. It cannot be expected, however, that this desirable situation will come about within the foreseeable future.

It is assumed that institutions will not borrow to meet current expenditures but will finance them out of current income. Thus, future expenditure for debt should be related directly to the terms underlying the financing of capital outlays. It is important that these amounts not be a drain on the income of the institutions.

As for privately controlled institutions, the stabilization of enrollment at about 900,000 students should serve to stabilize the debt and thereby the annual payments on it. In cases where the original debt was obligated for under disadvantageous terms, it is hoped that refinancing will be arranged on more generous terms in keeping with the national importance of higher education.

SUMMARY

This chapter has presented the expenditure side of America's budget for the future of higher education. The amounts are large: well over \$2,000,000,000 annually for current operations; \$672,000,000 on an equal annual basis for capital outlay for instructional purposes; plus additional amounts for noninstructional plant needs; and, as described in the volume "Equalizing and Expanding Individual Opportunity," \$1,000,000,000 annually for the fulfillment of the recommended scholarship and fellowship programs. But if the amounts are large, so too are the needs. A possible enrollment of at least 4,600,000 is to be provided for in 1960. Only by raising the expenditures for higher education to the levels proposed can the needs be met.

Financing the Cost of Higher Education

The financing of higher education follows a complex pattern. It depends upon funds provided by private individuals and corporations, church groups, college alumni, students and their families, and government—local, State, and Federal. Institutions under private control are financed chiefly by student fees and funds received from private donors, including earnings on invested funds and annual gifts and grants. Publicly controlled institutions derive their income in the main from appropriations by State legislatures and from student fees. A few institutions, including certain municipal institutions and public junior colleges, are supported mainly by local government funds. The land-grant colleges and universities receive substantial funds each year from the Federal Government. Nearly all colleges and universities receive at the present time, on a temporary basis, substantial indirect support from the Federal Government through payments for the education of veterans.

The degree of dependency upon these various sources of income varies widely among institutions of higher education. For example, endowment earnings may provide some institutions under private control with little or no income, while more than one-half of their income may be received from this source by others. Similarly, the proportion of income received from various governmental sources differs widely among publicly controlled institutions.

Furthermore, the source of income does not too clearly distinguish the type of institutional control. Some private institutions receive support from appropriations of public monies. Many publicly controlled institutions receive some support from private sources. In the sense that all private institutions are nonprofit making, they receive indirect public subsidy through tax exemption; it has been estimated that this invisible income is equivalent to about 15 percent of the total income of all institutions of higher education.

CAN AMERICA AFFORD THE COST?

In the preceding chapter, it was estimated that the cost of an acceptable program of higher education in America in 1960 would be in the neighborhood of \$2,600,000,000. This is for current educational expenditures. If the funds needed between now and that year for capital outlay, on an equal average annual basis, are added to this amount the total annual cost in 1960 would be about \$3,250,000,000.

Can America afford this program? The answer is unequivocally yes. Expenditures for higher education have increased steadily and substantially throughout the years. Yet, the gross national product, which is a measure of the market value of all goods and services produced in this country during a specified period, has also increased, and at a higher rate. During the fiscal year 1932, in the midst of the depression, expenditures for current educational purposes in higher education were equivalent to 63/100 of 1 percent of the gross national product for that year. In 1947, when expenditures for higher education were more than twice those for 1932, these expenditures were only 46/100 of 1 percent of the gross national product for that year, or only a little more than two-thirds as much as 15 years earlier: The amount spent for current purposes in higher education has been declining consistently in relation to the gross national product over the last 15 years for which comparable data are available. This Commission considers the trend unfortunate; and recommends that as the gross national product increases, the percentage made available for higher education also increase.

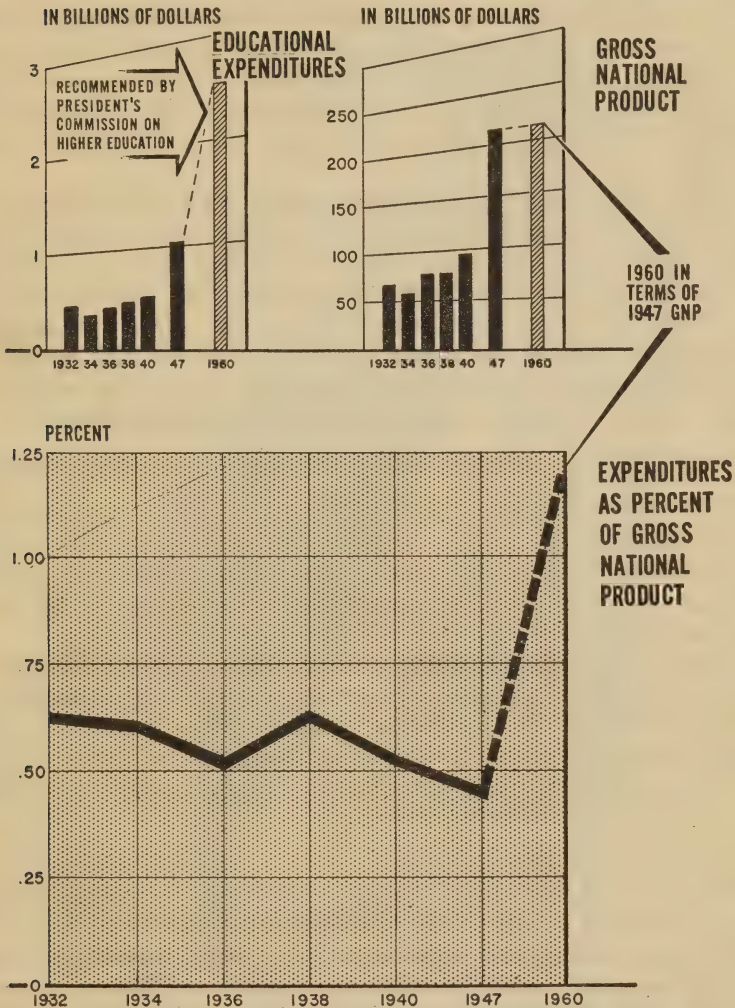
In terms of 1947 dollar values and the 1947 gross national product, the proposed 1960 current expense budget of \$2,587,000,000 for the complete fulfillment of the Commission's recommended program would require 1.19 percent of the 1947 gross national products. (See chart 3.)

This Commission believes the Nation can well afford to have 1.19 percent of the national production invested in higher education. If the \$672,000,000, representing the annual average cost of the needed capital outlay, is added, the percentage is 1.50—still a small figure.

If the position is taken that the national economy is fixed and that expenditures for higher education are expenditures for consumption purposes only, then the view that America cannot afford the cost of the proposed program might appear justified. But such a position cannot be justified. *Higher education is an investment, not a cost. It is an investment in free men. It is an investment in social welfare, better*

EXPENDITURES FOR HIGHER EDUCATION IN RELATION TO GROSS NATIONAL PRODUCT

1932 - 1960



SOURCE - EXPENDITURES, 1932 - 1947, FROM U.S. OFFICE OF EDUCATION. GROSS NATIONAL PRODUCT FROM U.S. BUREAU OF FOREIGN AND DOMESTIC COMMERCE. DATA FOR FISCAL YEAR ENDING JUNE 30, 1960 IN TERMS OF 1947 DOLLARS.

living standards, better health, and less crime. It is an investment in higher production, increased income, and greater efficiency in agriculture, industry, and government. It is an investment in a bulwark against garbled information, half truths, and untruths; against ignorance and intolerance. It is an investment in human talent, better human relationships, democracy, and peace.

The true answer, therefore, to the question "can America afford the recommended program?" is: America cannot afford *not* to pay the cost of a strong program of higher education.

The real question then, is not *can* we pay the cost, but rather—*how* shall we pay it? In terms of past standards the task is indeed great. It will demand the concerted effort of our total resources, both private and public. It will require the establishment of a strong plan of support, carefully developed and equitably executed. It will involve the cooperation of the colleges, government at all levels, and of every citizen.

As stated in the preceding chapter, there are two major types of expenditures in higher education: current educational expenditures and capital outlays. The problem of financing these expenditures involves a consideration of the various present and potential sources of income, and a determination of the relative adequacies of these sources. It involves also major questions of policy with respect to the role which these sources of income should play in the support of higher education, and the purposes for which they should be used.

FINANCING CURRENT EDUCATIONAL EXPENDITURES

The sources of income available for the financing of current educational expenditures may be classified under four main headings: philanthropy or private sources, student fees, public sources or government appropriation, and miscellaneous, including receipts from sales and services of organized institutional activities.

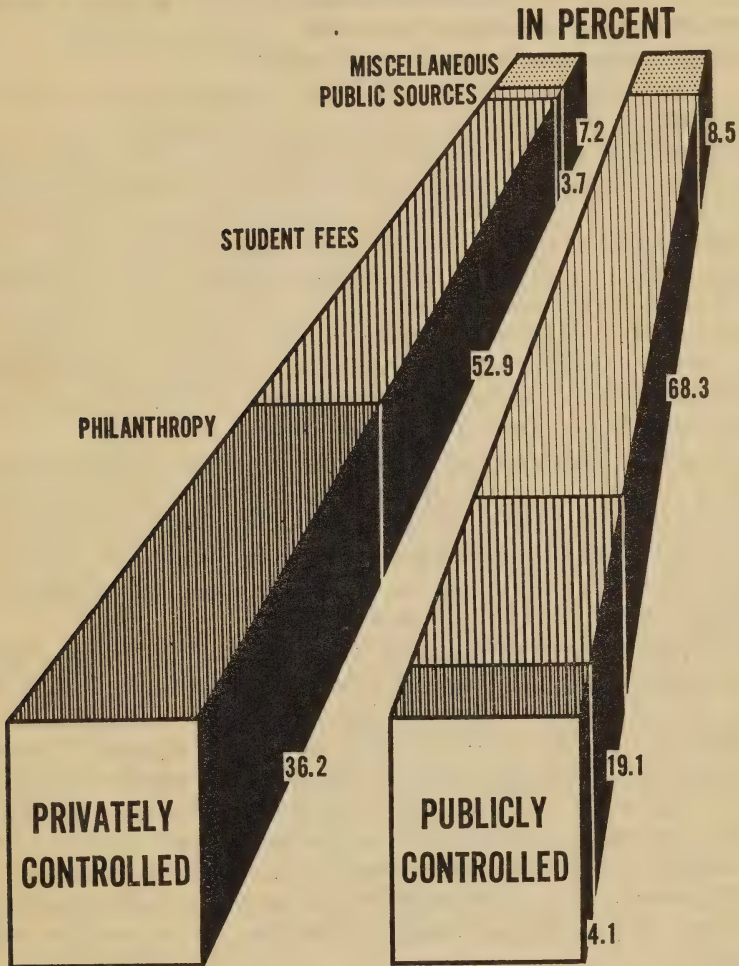
Chart 4 shows the percentage distribution of income available for current educational purposes by source and type of institutional control for 1940. This distribution is substantially the pattern that existed in the years from 1932 until the beginning of World War II. The war distorted the normal financial picture, thus invalidating any conclusions based on more recent data.

Private Contributions

Progress in higher education may be attributed in no small degree to the loyalty and faith of the friends and benefactors of America's colleges and universities. The American people, individually, and through corporations and foundations, traditionally have given generously to the support of institutions of higher education. A principal fund of more than \$1,750,000,000, including endowment, annu-

PRE-WAR PATTERN

INCOME OF INSTITUTIONS OF HIGHER EDUCATION



SOURCE - U.S. OFFICE OF EDUCATION.
DATA ARE FOR FISCAL YEAR, 1940,
WHICH IS TYPICAL OF PERIOD 1932 - 1940.

ity, and loan funds, was held by the Nation's colleges and universities in the fiscal year 1940. Earnings on these invested funds in that year brought over \$70,000,000 into the current operating fund of all institutions of higher education. Eighty-eight percent of the endowment and other invested funds were held by institutions under private control. In addition to these invested funds, private gifts and grants for current or undesignated purposes amounted to about \$40,000,000 in 1940. In that year, the amount of private contributions reached a new peak, but the total needs of higher education expanded even more with the result that this source provided only 19.9 percent of current incomes for all institutions; endowment earnings accounted for 12.7 percent, and gifts and grants for 7.2 percent.

As previously stated, it is natural that the major proportion of these contributions is received by privately controlled institutions, many of which rely heavily upon this source of income. In 1940 private philanthropy contributed 36 percent of the income of privately controlled institutions and 4 percent of those under public control. Yet one fact which cannot be ignored is the tendency of these private gifts to flow increasingly to institutions under public control. In 1920, publicly controlled institutions received only 3 percent of all philanthropic contributions to higher education; in 1940 they received 14 percent. In 1940, 12 percent of all endowment funds was held by publicly controlled institutions, and several of these institutions annually received substantial income from investments based on such gifts.

Since 1936, higher education has tended to receive a steadily diminishing share of the total contributions of private philanthropy. Private contributions for all purposes, including domestic and foreign relief and social and welfare services have increased both in absolute amount and in proportion to the national product. This reflects the success of organized efforts to raise funds.

The percentage distribution of philanthropic contributions according to purpose changed markedly between 1920 and 1940. In 1920 less than 11 percent of the contributions received by all institutions of higher education was used for current operating purposes; 78 percent was used to increase endowments; and 11 percent was designated for capital outlay. In 1940 the proportion devoted to current operations had increased to 41 percent; the proportion for endowment had declined to 36 percent; and the proportion for capital outlay had risen to 23 percent. These changes reflect the increasingly heavy need on the part of privately controlled institutions for current operating funds.

Endowment. Funds designated for endowment are those funds the principal of which is to be invested as wisely as possible and from which the interest is available to the institution.

Endowment funds built up rapidly during the first three decades of the century; they increased more than sevenfold, an average of \$500,000,000 each decade. But for the decade 1930 to 1940, the increase was only \$250,000,000. The income from endowment earnings, however, has not kept pace with the expanding needs of higher education. Accumulation of endowment capital has never increased as rapidly as enrollments. From 1920 to 1940, endowment income as a percentage of current income for all institutions declined from 15.4 percent to 12.5 percent. For privately controlled institutions the decline in percent was from 29.8 in 1920 to 23.4 in 1940. These relative declines in income from endowment were occasioned to a considerable extent by a gradual falling off of the rate of returns on invested funds.

The value of endowment in the support of an expanding program of higher education is further narrowed by the factor of distribution. Of the amount held by privately controlled institutions in 1940, more than two-thirds was held by only 46 of the 1,000 institutions of this type; these same institutions before World War II enrolled less than 15 percent of all college and university students.

Private gifts and grants. Contributions for current operating expenses of institutions of higher education increased more than sixfold between 1930 and 1940; and, like endowment, they have continued to increase substantially. But, relatively speaking, private gifts for current or undesignated purposes have not been a major source of income for American higher education. In relation to total income, however, they increased somewhat during the 20-year period preceding the recent war. In 1920, private gifts and grants to all institutions constituted only 4.5 percent of the total income; by 1930 the percentage had increased to 5.0 and by 1940 to 7.2. In the same years, comparable percentages for institutions under public control were 2.1, 0.8, and 1.8; for those under private control percentages were 9.6, 9.1, and 12.8. By 1944, however, due to the changed pattern of college financing, this source of income amounted to only 5.8 percent of total operating income of all institutions, 1.9 percent in those publicly controlled, and 10 percent in those privately controlled.

Potential of private contributions. Experience shows that philanthropists prefer to give to capital projects rather than to current expenditures; also that they tend to concentrate their gifts in a comparatively small number of large and well-established institutions.

Even if there were a substantial increase in the absolute amount of gifts, it does not seem reasonable to expect income from endowment to increase sufficiently to support the proposed expenditures for higher education in the same proportion as prior to World War II. To pro-

vide the necessary income, assuming a return on invested funds of 3 percent, would require an endowment of more than \$10,000,000,000, or about six times the amount now held by colleges and universities.

A more hopeful picture with respect to increased support from philanthropy is in the form of annual gifts and grants for current expense purposes. In the past decades, tremendous gains have been made in this field by local, national, and international welfare agencies. Institutions of higher education have not demonstrated the need, the appeal, or the organized fund-raising efforts comparable with those of these agencies; hence, they have not kept pace in the competition for these funds.

The President's Commission is confident that if more intensive and better organized appeals are made by colleges and universities, substantial increases in gifts and grants can be obtained for endowment, as well as for immediate expenditure. Many factors point in this direction. First, the present high and increasing income level of many individuals and corporations offers a fertile field for potentially larger philanthropic contributions. Second, present Federal and State tax policies provide liberal exemptions from income taxes for gifts to educational and other nonprofit institutions as defined by law. Federal policy includes: (1) exemption of charitable gifts from the gift tax, (2) exemption of charitable bequests from the estate tax, and (3) exemption of as much of the adjusted gross income of the individual, not exceeding 15 percent, and of corporate net income, not exceeding 5 percent, as is contributed for educational, religious, and charitable purposes. According to *Higher Education, Philanthropy, and Federal Tax Exemptions* by J. Harold Goldthropé, philanthropic contributions for the 10-year period 1930-39 amounted to an average of less than 2 percent of the total income reported by individuals on Federal tax returns for that period. If this average had been even 5 percent, or one-third of the total rate of exemption permitted, approximately \$6,000,000,000 additional income would have been available to educational institutions and other recipients.

Increasingly larger proportions of all contributions are coming from individuals in the lower income groups. For example, in *Financing the Future of Higher Education*, Thad L. Hungate showed that in 1941-42, 72 percent of all contributions for educational and philanthropic purposes came from donors with incomes of less than \$5,000, as compared with an average of 51 percent in the period 1930-39 for the same income group. This fact is of great importance to colleges and universities in planning their appeals for increased gifts and grants from private sources.

But in spite of encouraging increases in gifts and of more effective appeals, it does not seem reasonable to expect that much more

than a doubling of income from this source will be available in the immediate years ahead. Thus, a maximum of \$225,000,000 in private contributions might be counted on by 1960, on a continuing annual basis, with \$200,000,000 going to the support of the privately controlled institutions. In terms of the proportion of the total proposed program expected to be borne by privately controlled institutions, this anticipated income would account for 40 percent of their share of the cost, as compared with 36 percent of total income realized from this source before World War II.

Student Fees

America has always depended, heavily upon the student and his family for the support of institutions of higher education through the payment of tuition and other required student fees. Before World War II, student fees (i. e. tuition and other required fees) amounted to more than a third of the current educational expenses in all institutions; in private institutions the percentage was 60 and in those under public control it was about 19. Chart 5 shows the relationship between student fees and educational expenditures in the fiscal years ending June 30, 1932, 1940, and 1947, for all institutions, for all publicly and all privately controlled institutions, and for two selected types of institutions; namely, universities and junior colleges.

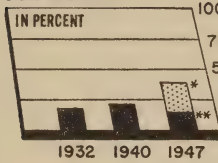
Publicly controlled institutions generally have relatively lower fees than privately controlled colleges and universities. State teachers colleges commonly charge lower fees than State universities. In some States, the junior colleges that are under public control are as free as the public high schools; in others, the publicly controlled junior colleges are supported largely by student fees, and the amount of the charge approaches or equals that in comparable private institutions. The separation of publicly and privately controlled institutions on the basis of student fees is not sharp; some publicly controlled institutions charge tuition and other fees at higher rates than those charged in some privately controlled institutions of similar type.

Student fees are a flexible means of increasing income. This fact, in addition to the increasing pressure for more adequate funds, has undoubtedly been a major cause in the continuing and recently sharp increase in the rate of dependence of institutions upon funds from this source for financing operating expenditures. It is significant that, percentage-wise, the upward trend in this dependence has been more rapid in recent years in publicly controlled institutions than in those under private control, even though fees in the former still average much less than those in private institutions. This should be a matter of serious concern in a democracy devoted to the principle of equality of educational opportunity. It has been discussed in detail in the volume

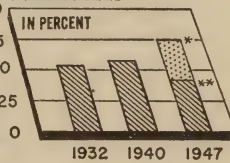
HOW STUDENT FEES PAY THE WAY

INCOME FROM STUDENT FEES PERCENT OF EDUCATIONAL EXPENDITURES

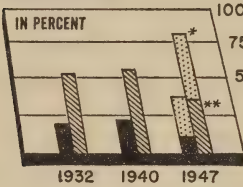
ALL PUBLICLY CONTROLLED



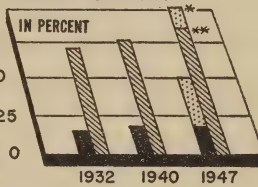
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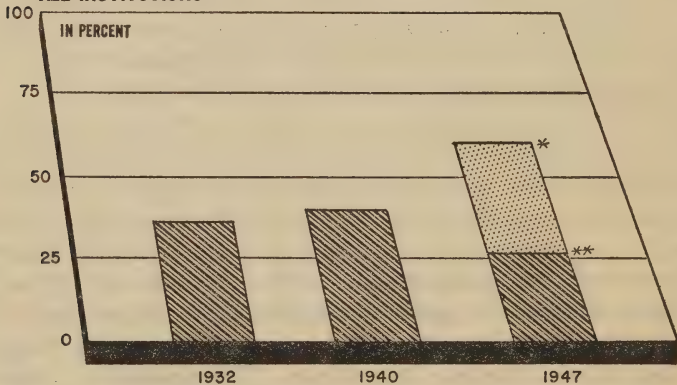
UNIVERSITIES



JUNIOR COLLEGES



ALL INSTITUTIONS



* G.I. FEES PAID BY FED. GOVT.
** FEES PAID BY STUDENTS

SOURCE - U. S. OFFICE OF EDUCATION.
STUDENT FEES DATA DO NOT INCLUDE PAYMENTS
FOR ROOM AND BOARD, STUDENT SUPPLIES, ETC.

of this Commission's report "Equalizing and Expanding Individual Opportunity."

Furthermore, the levels of fees differ in the various parts of the country. Colleges and universities located in the eastern States have, in general, a much higher schedule of fees than those located in the Middle West and in the South.

To what extent should the cost of higher education be financed by student fees? The answer to this question involves major questions of policy. What fees, if any, can students or their families afford to pay? Does the individual gain moral advantages from the payment of fees for the benefits of a college education? What are the advantages and disadvantages to society in general? These and other issues relating to this problem are discussed in Volume II and can be briefly summarized here. Measures for reducing the inequalities of educational opportunity occasioned by the economic barriers to higher education proposed in that volume include: (1) an extension of tuition-free education through the fourteenth year; (2) reduction of student fees above the fourteenth year and in graduate and professional schools in publicly controlled colleges and universities; and (3) broad national scholarship and fellowship programs for qualified students, the former based on the individual's ability and needs, the latter on ability only.

In addition to the recommendation that student fees be eliminated for grades 13 and 14 in publicly controlled institutions of higher education, this Commission recommends that the fees for the upper grades in such institutions be rolled back at the earliest opportunity to the level prevailing in 1939. It is realized, of course, that economic conditions and other factors relating to income may make this move difficult immediately, but the urgency of such an adjustment is clear.

If about one-third of those paying fees in publicly controlled institutions are "out-of-area" students, the average annual fee in 1939 is estimated at \$105. With about 1,690,000 students above the fourteenth year in publicly controlled institutions envisioned for 1960, fees would provide in that year an income of \$177,000,000 for these institutions.

The effect of high fees upon equality of opportunity in higher education is not a concern wholly of publicly controlled institutions. Institutions under private control also must avoid excessive fees if their contribution to higher education is to be of greater benefit. While most of these institutions of necessity must depend heavily upon fees as a source of financial support, they cannot be unaware at all times of the effect which high fees may have in limiting the advantages of their services largely to students from families in the upper-income brackets. It is important, therefore, that they maintain their fees at

the lowest level possible commensurate with their needs for adequate funds.

As a means only of estimating the probable income from fees in privately controlled institutions, it is assumed that these institutions will stabilize their fees about midway between the 1939 and the 1947 level, at an average of about \$300 per student per academic year. Based on an estimate of 900,000 students enrolled in private institutions in 1960, the income from student fees would be \$270,000,000 or about 53 percent of the total amount needed to finance current educational expenditures in these institutions.

Public Funds

Appropriations by government—Federal, State, and local—provided \$206,000,000 for the support of current educational expenditures in institutions of higher learning in 1940; this was 36.6 percent of the total current income. Public appropriation included about \$30,500,000 for the Federal Government, \$151,000,000 from State governments and a little over \$24,000,000 from county, city, and district governments.

Before World War II, the trend in public funds had been steadily rising both in amount and in relation to total income. During the war, the trend rose much more sharply and by 1944 this source of income amounted to more than \$500,000,000 and constituted nearly 60 percent of total current income. This sharp rise was due, of course, to the large allocations of Federal funds to colleges and universities for the war-connected instructional and research activities of both publicly and privately controlled institutions.

Although publicly controlled institutions are naturally the main beneficiaries of continuing public appropriations, there has long been a tendency for many institutions under private control to receive increasingly larger sums of money for current educational purposes from this source. While State governments have contributed in some measure to this trend, most of the increase has been the result of Federal policy. The implications of this trend and the basic issues involved are presented in Chapter IV.

It has been said that the needed expansion of higher education must of necessity be financed largely by public funds. The question then arises as to the relative role each level of government—local, State, and Federal—should play in meeting the cost. The answer to this question involves matters of principle as well as those of practical consideration.

Although higher education is a function which by established practice and in the interest of efficient control and administration belongs primarily to the States, it is an activity of national concern. Its benefits are not confined by State or even regional boundaries, but affect

the welfare of the Nation as a whole. All of the people then have a direct concern for its adequate support. The various levels of government should contribute in a manner which will most effectively and economically promote the national goals. The fiscal relationship, therefore, in the support of higher education among local, State, and Federal Governments should be one of partnership, although the nature of the partnership will vary from State to State because of economic and other practical considerations.

Because of the importance of these considerations, the current and future role of each level of government in financing higher education will be considered separately. They can be appraised only in the light of the total tax structure.

Local government. While local government has long been the main support of elementary and secondary education, it has not, in general, been a significant source of income for higher education. In the past few decades there has been a general tendency in most States for local taxing units to bear a smaller proportion of the total support of education and for the States to bear a larger proportion.

A number of factors account for this situation. Foremost among them is the inflexible nature of the tax structure of most local governments. A second is the fact that approximately four-fifths of all local revenue is raised from property taxes. A third factor is the inequitable and long out moded assessment procedure which prevails in many States and localities. Finally, constitutional or statutory tax limitations upon property exist in a number of states which in effect impose ceilings, already reached in many cases, upon the amounts available from property tax levies.

It is not surprising, therefore, that in many communities property has become heavily burdened by taxation. Relief has been sought through shifting a larger share of the cost of education and other functions of government to the State level. Furthermore, property valuations or changes in the tax rates respond but slowly to economic conditions. Thus, property taxes are usually a heavy burden in depressed times and lag behind rising prices and incomes in periods of prosperity.

In 1946, the gross national product had risen 28 percent over that for 1942, while receipts of local government for the same period, exclusive of intergovernmental aid, rose only 17 percent. These figures reflect the relative inability of local government to capture gains made in the national economy. It is true that some communities are able to provide sufficient funds with reasonable tax effort to support the types of community colleges proposed by the President's Commission. Others are able to do so with assistance from the State.

It is evident, therefore, that local government, with its restrictions, both legal and economic, on its taxing powers, and contributing heavily to the support of elementary and secondary school systems, cannot carry any large added burden for higher education. In 1939-40, local governments contributed \$24,000,000 to finance publicly supported institutions and \$250,000 to those privately controlled. It appears doubtful that these amounts could be much exceeded by 1960.

State government. The tremendous shift of the taxing activities of government to the Federal level during recent years, has had its effects also upon the flexibility of State tax structures. Thus, during the period from 1942 to 1946 when the gross national product increased 28 percent, State revenues, exclusive of intergovernmental aid, rose only 22 percent.

The States differ widely in their efforts as well as their abilities to support education. Some States spend annually for higher education from public funds eight to nine times as much per youth of college age (18-21) as do other States. In 1940, for example, Georgia and Massachusetts spent only \$9 per youth of college age, while Nevada spent \$78; the average for all States was \$21. Many of the wealthier States (i. e., those with the higher per capita incomes) make the least effort, as measured by percentage of State income devoted to the support of publicly controlled institutions; in contrast, many of the poorest States make the greatest effort. One of the major reasons for the poorer showing on the part of many of wealthier States, is that they tend to rely more heavily than the others upon privately controlled institutions for the services of higher education.

The wide variation in the ability of the various States to support higher education makes a program of equalization imperative if a defensible minimum program of higher education is to be provided on a Nation-wide basis. Geography of State boundaries should not be the major factor in determining either the rate of tax funds levied for the support of colleges and universities nor the level of expenditure for higher education per youth of college age. This does not imply, however, that each State should not carry its fair share of the cost of meeting the total national needs for higher education.

Determining the States' fair share of the estimated cost of the proposed program of higher education is not easy. Averages of past experience do not provide proper measures because of the fact that many States have not fully assumed responsibility for the needed higher education. State programs are being rapidly developed, and it is reasonable to assume that as the needs of higher education become more apparent the efforts of the States to support colleges and

universities will resemble their efforts to support elementary and secondary education.

At best it can be assumed that all States in the future will make as great an effort to support higher education as that made by the States making the greatest effort before World War II, in the year 1939-40. Effort in this case is being measured by the percentage of the total income of all the people of a State devoted to the support of higher education through public appropriation. On the basis of this assumption, the States would be expected to spend on the average about 0.5 percent of the total of all income received by persons within each State as their fair share of the cost of higher education in 1960. It is recognized, of course, that in actual practice the percentage figure would vary among the States, as it does now, due to the variation in the share of their respective programs of higher education which are borne by privately controlled institutions. In terms of the total of income payments during the fiscal year 1947 (\$200,000,000,000), the assumed average would amount to \$1,000,000,000 or about one-half of the funds required for the proposed program in publicly controlled institutions.

Federal Government. In the years prior to World War II, the Federal Government provided a relatively small proportion of the total income of institutions of higher education. In 1940 the institutions received Federal funds totaling \$30,500,000, an amount equivalent to 5.4 percent of the current income. Well over 90 percent of that amount went to institutions under public control; of this, more than four-fifths went to the 69 land-grant colleges and universities. In addition, the Federal Government provides continuing support to the United States Military and Naval Academies and for certain institutions in the District of Columbia and in outlying possessions.

During the war years, Federal payments, including those under contracts with educational institutions for instructional and research services, made the proportion supplied by the United States Government rise sharply. It might be expected that the bulk of these Federal payments would go to publicly controlled institutions, as had been the practice before 1940. However, in 1944 this amount was divided about evenly between the privately and publicly controlled groups. This division emphasizes the widespread utilization of the facilities of all higher education institutions in the war program.

Under the two basic laws authorizing the training and education of veterans—Public Law 346, the GI Bill, and Public Law 16, Vocational Rehabilitation of Veterans—in the fiscal year 1947, institutions of higher education received \$301,000,000 as payment of tuition and other required fees for veterans. This was over one-half of the income received in that year as “student fees.” In addition to these payments,

the Congress appropriated about \$275,000,000 for temporary housing, classroom, and laboratory facilities. A synopsis of the history of Federal participation in higher education is given in the following chapter.

In 1940, the continuing funds (i. e., those exclusive of temporary or emergency funds), provided by the Federal Government for higher education amounted to 9.9 percent of the current operating income of all publicly controlled institutions and less than 1 percent of the income of the privately controlled group. It is assumed that this continuing support will be extended in relation to enrollment and that the prewar proportion will be forthcoming in the future as a recurring governmental appropriation. Then by 1960, publicly controlled institutions could expect about \$206,000,000 from this source and those under private control might expect \$4,000,000.

Sales and Services of Organized and Miscellaneous Activities

Many colleges and universities receive sums of money from sales and services of organized subsidiary activities. In 1940, for example, a total of \$44,000,000 was reported from such sources, which amount represented 7.2 percent of the operating income in that year for the publicly controlled institutions and 8.5 percent for those institutions under private control.

Such income includes, for example, receipts from the sales of livestock or dairy products produced as part of the program of education in agricultural schools, charges for transcripts of credits from registrars' offices, library fines, and the like. Many of these activities are closely related to the educational program while others are inextricably intertwined with the function of institutional management. Included in the sales and services are many activities such as those relating to the sale of tests and test services, the provision of management advice, personnel services, and industrial research, all of which represent extensions of institutional service beyond the confines of the campus itself.

Recently, there has developed a tendency to raise questions relative to such operations on the part of colleges and universities. This is done under the assumption that these activities and others such as the ownership and management of office buildings or the operation of other types of business enterprises offer unfair competition to private industry. Such questions usually grow out of the fact that institutions of higher learning operate under a program of tax exemption, particularly from the Federal tax on corporate income. It would appear that ordinarily such questioning not only fails to recognize the fundamental contribution of the colleges and universities to the Nation but also grows out of a basic misunderstanding of fact.

While recognizing that education in this country is a function of the various States, the Federal Government through the years has pro-

vided substantial aid to the States for education. In addition, to direct grants described elsewhere in this report, the Federal Government has utilized the principle of tax exemption to provide further assistance and otherwise to encourage and promote education at all levels. The exemption from corporate income taxes has been conceived as covering all the activities in which the institutions engage, recognizing that income from all sources is used by the colleges and universities to extend the services of the institutions in the interest of the public welfare since, "no part of the net income [accrues] . . . to the benefit of any private stockholder or individual." This policy has continuously operated to exempt from taxation the income of privately controlled institutions as well as those managed publicly, thus recognizing that the former are rendering the same kind and quality of national service as are the publicly operated colleges and universities.

Further, tax exemption has been based upon the use made of income by the institution rather than upon the activities through which such income is derived. The sole purpose of any income to educational institutions is further to increase the effectiveness of their services to their students and the Nation, and what otherwise might be considered as profits are used to supplement income and to pay current operating costs, and never for distribution to individuals. Thus, the competitive value of the right to retain in the operations concerned that portion of the income which otherwise would be payable to the Government in taxes is illusory. The earnings represented by tax savings will almost always be taken out of the institution's "business" enterprise to meet current educational needs. While it is true that the tax exemption does reduce somewhat the income of the Federal Government, at the same time such funds serve to lessen the burden on the States and the general public in the support of higher education.

The Commission recommends, therefore, that the long-term policy of the Federal Government to assist and encourage higher education through a program of tax exemption be retained.

For purposes of this volume, it is estimated conservatively that income from all sales and services of organized and miscellaneous activities will not be more than \$42,750,000 in 1960 and that of this amount \$25,000,000 will accrue to the publicly controlled institutions and \$17,750,000 to the privately operated colleges and universities.

Summary

In chapter II it is estimated that in 1960, the current operations of a program of higher education commensurate with the complete fulfillment of the needs in America would cost \$2,587,000,000. This is exclusive of capital outlay, scholarships, and fellowships. It was further estimated that \$506,000,000 of this amount would be the cost

of the program to be provided in institutions under private control; and that the remainder, or \$2,081,000,000, would of necessity be the part to be provided in publicly controlled institutions.

In this chapter it has been estimated that with a doubling of fund-raising efforts, a leveling off of income from student fees, and a continuance of funds from other income sources, privately controlled institutions could meet their share of the 1960 cost and provide high quality education for 900,000 students.

On the basis of greatly increased support from State governments, the continuation at the prewar rate of existing Federal funds, and the elimination of student fees for the thirteenth and fourteenth years in publicly controlled institutions, as recommended by this Commission, it has been estimated that \$1,443,000,000 would be available in 1960 for the support of the proposed program which must be provided under public auspices. This leaves a deficit in the proposed budget for publicly controlled higher education of \$638,000,000, which must somehow be provided if the budget for 1960 is to be balanced.

The summary of estimated income for 1960, the amounts and percentages from each source, and the deficit to be planned for are shown in table 6.

TABLE 6.—*Estimated income for support of current educational activities and possible deficit, by type of institutional control: 1960*

	Publicly controlled institutions		Privately controlled institutions	
	Amount (in millions)	Percent	Amount (in millions)	Percent
Recommended enrollment (based on appraisal of needs)	3, 700, 000		900,000	
Current educational expenditures	\$2, 081	100	\$506	100
Estimated income:				
Philanthropy (endowment earnings, gifts and grants)	25	1	200	40
Student fees	177	9	270	53
Public funds:				
Local	24	1	. 2	4
State	986	47	14	
Federal	206	10	4	
Miscellaneous	25	1	17. 8	3
Total	1, 443	69	506	100
Possible deficit	638	31	—	—

There is but one source capable of providing the funds needed to avoid a deficit and to balance the operating budget for higher education: the Federal Government. Only if the Federal Government becomes a strong, permanent partner in the system of financing higher education can the needs of a greatly expanded enrollment be provided.

FINANCING CAPITAL OUTLAYS

Capital outlays include the acquisition and improvement of land, construction and equipment of new buildings, major repair and renovation of existent structures, replacement of equipment, and purchase of new equipment. These are the expenditures which increase or enhance the value of the physical plant, as distinguished from current expenditures for running expenses, maintenance, and the purchase of expendable supplies. The amounts set forth in the preceding chapter for capital outlays are predicated upon replacement value in terms of 1947 costs, and are exclusive of any outlays which might be needed for land.

There are two different types of capital outlays which require financing: those for instructional plant, and those for the noninstructional plant.

Instructional Plant

The needs for appropriate capital facilities for instructional use to provide for the numbers who should be served by higher education in America were described in the preceding chapter of this report. After considering the facilities available in the spring of 1947 and the additions assured by 1950, as reported to the United States Office of Education by colleges and universities, it is estimated that the replacement value (1947 costs) for the additional facilities needed by 1960 will be \$8,064,000,000.

It is obvious that this amount cannot be expended in any 1 year or other short period. A building program of the extent needed must and should be planned to take place in an orderly fashion over a period of time. To provide this over a period of 12 years—so that it is completed in 1960—would require an average annual expenditure of \$672,000,000 beginning July 1, 1948. This annual amount is equivalent to 0.31 percent of the 1947 gross national product. Thus higher education's annual expenditures for current educational purposes and for capital outlay on the average would be equivalent to 1.50 percent of the 1947 gross national product during the period of heaviest expenditures: while the building program is in process and the current educational program for higher education is being developed to accomplish the objectives proposed by this Commission.

The problem of financing these outlays must be considered separately for publicly controlled and privately controlled institutions.

Capital outlays by privately controlled institutions. This Commission assumes that the enrollment in privately controlled institutions of higher education will be stabilized near the 1947 level of about 900,000 students. Even with this limitation on enrollment, however, it is assumed that an additional capital outlay of \$666,000,000 is necessary to bring the instructional plant to the level recommended by the Commission. Of that amount, \$360,000,000 was assured in the spring of 1947 for construction by 1950, leaving a total of \$306,000,000 to be secured if the necessary amount of space is to be provided.

Obviously, it is necessary to contemplate heavy expenditures for physical plant additions in the next few years if this problem is to be met in a satisfactory fashion, even though the privately controlled institutions as a group are today instructing as many students as it is assumed they will handle in 1960, their facilities are taxed to the maximum. If adequate physical facilities are to be continuously available, considerable sums must be devoted to new construction and to rehabilitation of plant before 1960.

The Commission recognizes that securing the necessary funds represents a very serious problem for privately controlled institutions. It is believed, however, as emphasized elsewhere in this report, that much of this need can be met, through concerted and effective efforts, from private sources.

Capital outlays by publicly controlled institutions. Funds for capital outlay on instructional plant should be made available to the publicly controlled institutions by the local and State governments to the fullest extent of their ability; but an expenditure of \$7,758,000,000 of new funds, in addition to the \$414,000,000 assured by 1950, is a tremendous sum. On an equal annual basis for a 12-year period it amounts to \$647,000,000 per year. This represents expenditures beyond the present financial abilities of most State and local governments.

It is recommended that the Federal Government aid in the building program through grants to the various States on an equalization basis, the States being required to supplement these grants in terms of their relative abilities to do so. This proposal is outlined in detail in the next chapter.

Noninstructional Plant

As was discussed in Chapter II, there is at the time of writing this report no basis for estimating the needs for noninstructional plant, although it is clear that additions will be required for at least dormitories and residence halls.

Publicly controlled institutions are in many instances in the same position with respect to the financing of these additions as the privately

controlled institutions. In some States, public monies are not available for this purpose. In States where public monies may be used, it is expected that as the need arises the publicly controlled institutions will receive grants for construction of these buildings in as generous amounts as the States may be able to provide.

However, as discussed previously this portion of the plant is generally self-maintaining. It is possible for it to be self-liquidating if the interest rates are low enough and the period for liquidation sufficiently long. It can hardly be expected that private credit agencies would provide funds under these terms. **Therefore, it seems perfectly reasonable that the Federal Government should finance capital outlays for noninstructional purposes, in both publicly and privately controlled institutions, on a loan basis, either through an agency created for that purpose or through an existing agency under the following general terms:**

(a) Low interest on the unpaid balance.

(b) A period of at least 30 years for retirement of the debt.

(c) Regular annual payments, by the institution for reduction and eventual retirement of the debt.

If building costs remain so high that it is unwise to charge student rates high enough to make housing projects self-liquidating, it will be necessary to seek additional funds from private sources.

In any program of this kind, care must be taken to avoid "forgiveness" on the part of the Federal Government of any part of such contracted debts. Failure of an institution to repay in full the amount of the loan would result in a direct subsidy to the institution by the Federal Government in the amount of the unpaid balance on the loan and would, in the opinion of this Commission, be a violation of sound fiscal relationships between the Government and higher education.

The temporary housing erected by the Federal Government for veteran students should be donated to the educational institutions now utilizing them. Some are such as could be reconstructed for permanent use; others will need to be replaced by permanent dormitories as soon as those can be constructed.

BALANCING THE BUDGET FOR HIGHER EDUCATION

The Cost of Closing the Educational Gap in 1960

The current operating cost of the complete program recommended by this Commission in 1960 was estimated in Chapter II to be \$2,587,000,000. This is the amount required to provide a high quality program of education appropriate to the needs of 4,600,000 students, the number who should be served by higher education in that year. This number of students exceeds by 1,676,000 the number that would be enrolled in 1960 if no positive program were undertaken to increase

enrollments; in other words, on the basis of a projection of the pre-World War II trends, 2,924,000 students would be expected to be enrolled in institutions of higher education in 1960. Thus, a gap of 1,676,000 remains which must be closed in that year to attain the enrollment proposed by this Commission.

The cost of the proposed current educational program required totally to close this educational gap in 1960 is \$943,000,000, or approximately 36 percent of the total cost of the program for the 4,600,000 enrollment. To provide only a partial closing of this gap would, of course, reduce proportionately the cost involved. It is assumed that the expansion will occur in the publicly controlled institutions, and that the privately controlled group will remain stabilized at an enrollment of 900,000. Thus, it is believed that the educational gap will be closed through expansion in the publicly controlled group. The costs of closing various portions of the gap are shown in table 7.

TABLE 7.—*The cost of closing various portions of the educational gap in 1960*

Portion of gap closed	Number of students involved ¹	Cost of current educational activities (1947 dollars) ²
	(In thousands)	(In millions)
10%-----	168	\$94
25%-----	419	236
35%-----	587	330
50%-----	838	471
75%-----	1, 257	707
90%-----	1, 508	848
100%-----	1, 676	943

¹ Assumes that in accordance with the projection of pre-World War II trends, 2,924,000 students would be enrolled in 1960 without any positive program to increase enrollments and that 1,676,000 is the educational gap.

² Applies only to publicly controlled institutions, under the assumption that privately controlled institutions will remain stabilized at 900,000 students annually. These amounts are in addition to \$1,644,000,000, the cost of the proposed program for 2,924,000 students.

Balancing the Budget in Privately Controlled Institutions

Although the financial program for the future of higher education outlined in this chapter contemplates a balanced budget for the privately controlled institutions, this Commission is fully aware of the serious financial problems facing many of these institutions. The Commission is also aware of the fact that its proposals for a great expansion of higher education in publicly controlled institutions may make it extremely difficult for many private institutions to survive. A system of tuition-free education up through the fourteenth year and relatively low fees above the fourteenth year and in graduate and professional schools of publicly controlled institutions will undoubtedly force many of the weaker private schools out of existence

and profoundly affect the whole pattern of private institutional support. Furthermore, the strengthening of publicly supported institutions, as recommended by this Commission, may have the effect of further increasing the gradual upward trend in the flow of private benefactions to State institutions.

In spite of these problems, however, it is believed that most private colleges and universities will be able to secure adequate financial support from private sources. Current reports from many institutions which inaugurated postwar fund-raising drives indicate that larger sums than ever before are being sought and obtained. Alumni fund campaigns, likewise, are running ahead of previous years. Alert institutions are taking advantage of rising individual incomes to increase their income from such sources. In spite of inflationary conditions in 1947, many of these institutions are meeting with unusual success in their fund-raising appeals.

The situation facing the privately enrolled institutions is twofold: (1) they should confine their enrollments as well as their programs to levels which they can support on a high-quality basis with the funds in sight; (2) they should take all the steps necessary within reason to expand and strengthen their methods of appealing for contributions. It was in line with the first point that this Commission based its estimate of the future cost of higher education in privately controlled institutions upon an enrollment of 900,000 students.

Private colleges and universities have yet to attempt large scale group drives for support such as those organized in recent years by numerous local, State, and national relief and welfare agencies. The success of these highly developed group appeals is well known. The failure of institutions of higher education to strengthen their own efforts through similar tactics may account, in some degree, for the fact that higher education has not kept pace in the competition for private funds.

A move in the direction of cooperative fund appeals in higher education which promises considerable success is the United Negro College Fund, an "educational community chest" for 33 private, accredited Negro colleges. Under the plan established for the Fund, solicitation on a national level has been organized within 5 major campaign divisions to reach the following prospective donors: philanthropic foundations; business corporations; individuals; special groups such as labor and alumni; and community organizations of a social, educational, and religious nature. In all, between 1,500 and 2,000 persons serve voluntarily on the fund-raising committee. The net proceeds from the annual campaigns are distributed to the cooperating colleges in accordance with an objective formula adopted by the board of directors of the fund.

Administrators and specialists in college financing agree that it is becoming increasingly difficult to secure large donations for endowments. Although many institutions are working hard to increase permanent funds, it appears that the accumulation of larger endowments does not offer much hope for private institutions in meeting today's pressing needs. A more favorable approach lies in the area of annual gifts and grants from established philanthropic foundations and business corporations and in developing a broad base of support by individuals in the middle- and lower-income brackets. Such an approach, however, will require more effective methods of appeal, more businesslike organization, and more cooperative efforts on the part of colleges and universities than have been used in the past. With greater attention to these needs, this Commission is thoroughly convinced that the privately controlled institutions may expect at least \$200,000,000 in 1960 or a doubling of pre-World War II income from private sources on an annual basis.

Balancing the Budget in Publicly Controlled Institutions

It has been shown in this chapter (see table 6) that after local and State governments have made the maximum effort that could reasonably be expected of them, a deficit of \$638,000,000 remains in current operating income. In order to realize the *complete* program of higher education recommended by this Commission in 1960, plans are needed to meet this deficit. The amounts involved in meeting various proportions of the educational gap planned for in the complete program are shown in table 7.

It was stated that the Federal Government is the only source capable of providing the funds needed to meet these deficits. In addition to the needs for the current operating budget, it has been shown that \$7,758,000,000, or an average annual expenditure of \$647,000,000, is needed by 1960 for capital outlay on instructional facilities of publicly controlled institutions, and that the Federal Government would have to assist the States in substantial amounts to finance this capital program. Further, expanded Federally supported scholarships and fellowships are part of the recommended program. Thus, it is clear that the role of the Federal Government in financing higher education must be greatly expanded.

The case for a permanently expanded role of the Federal Government in the support of higher education is extremely strong. But it does not rest solely upon financial reasons. The Nation depends upon institutions of higher education for an intelligent citizenry, and for the training of leaders in all areas basic to the national welfare. The services provided by the colleges and universities, such as research, library facilities, and adult education are indispensable to effective government at the Federal level. Money

invested in higher education yields high dividends in greater production, higher income, increased tax potential, and human well-being. It is evident, therefore, that higher education not only needs help from the Federal Government but that the Federal Government, seeking to assure the welfare of the Nation, needs the help of higher education.

The Role of the Federal Government

The two preceding chapters have presented the expenditures and income of higher education. They have been shown in terms of their past and present relationship; they have been projected to 1960 in terms of the numbers to be served and the kind and quality of higher education which, in the judgment of this Commission, the needs of the nation and its people fully justify.

As the total sources of income are appraised against expenditures, a number of conclusions become evident—conclusions that are extremely important for arriving at sound policies for financing higher education over the years ahead.

1. This Commission believes that the potentialities of income from private sources are such that the annual additional funds needed to maintain a high-quality program of education and research in privately controlled institutions can be obtained if they will maintain their total enrollment at about 900,000—which is approximately their 1946-47 level. *The belief that the additional funds can be secured rests on the ability of the privately controlled institutions themselves to work out and to adopt appropriate and concerted fund-raising methods and appeals. It is the conclusion of the Commission, however, that the additional cost of the expanded program and enrollments for higher education which have been recommended must of necessity be borne by public funds.*

2. The elimination of student fees for the thirteenth and fourteenth grades and the reduction in fees above the fourteenth grade in publicly controlled institutions recommended by this Commission, will require that a large part of the income derived presently from such sources be secured from public appropriations.

3. Large amounts of additional funds may be expected from the States with the help of local governments. As repeatedly emphasized in the preceding chapter, the States should continue their present proportion of the cost of colleges and universities and, where their resources permit, substantially increase their appropriations for

higher education, *But even with a great increase in effort, as pointed out in Chapter III, the States will not be able alone to meet the expanding needs of the nation for college and university education.*

4. On the basis of these conclusions, and with a continuance of the present federal assistance, exclusive of the funds provided under the GI Bill and other temporary appropriations, it has been shown that to serve 4,600,000 students, additional funds of more than \$600,000,000 annually will be required by 1960 for educational and general expenditures—the day-to-day operation of the system of higher education. When the needed expansion in capital outlay is taken into account, the unbalance reaches a figure of far greater proportion.

This unbalance, large and serious as it is, can be eliminated and the budget balanced in 1960 if the American people are willing to value higher education in its true worth, and provide the financial support which its value both to the individual and to the nation more than justifies. To do so, however, will require that the role of the Federal Government, as a partner with the States in the support of higher education, be greatly strengthened and expanded. That role must be based upon sound principles of Federal-State relationships, carefully planned and geared to the needs and responsibilities of higher education in a democracy.

HISTORICAL DEVELOPMENT

From the very earliest period of American history, the Federal Government has given financial assistance to colleges and universities. Such assistance was intermittent and granted for individual institutions. The ordinances of 1785 and 1787 gave one section of each township in the Northwest Territory “for the maintenance of public schools within such township,” and 80,000,000 acres of land were actually granted under those ordinances.

It was not until 1862, with the passage of the Morrill Act, that the Federal Government initiated a program of subsidizing specific areas of interest. This Act, which gave each State specific grants of land, provided that the income from the lease or sale of such land should be used to develop and expand education in “agriculture and mechanic arts.” Later, by legislation supplementing the Morrill Act, other fields were added to those subsidized and provided through the land-grant colleges. Since 1890, a continuing proportion of the current operating budget of these institutions, now totaling 69 in number, has come from the Federal Government.

As was indicated earlier in this volume, the Federal Government has made a substantial although indirect subsidy to all nonprofit making colleges and universities by exempting them from certain Federal taxes commonly paid by industrial establishments. As their opera-

tions have expanded, this assistance has been of corresponding importance.

Prior to 1935, however, the total proportion of the current cost of higher education in America borne by Federal funds amounted annually to less than 5 percent. This included the aid for land-grant institutions and the special institutions, referred to in the preceding chapter, supported wholly or in part by the Federal Government.

The depression years of the 1930's marked the beginning of a sharp upward swing in Federal funds for higher education. In order to cope with the social and economic problems of that period, the Federal Government expanded its relatively small financial role in higher education through new developments: (1) the granting of funds for the construction of buildings for tax-supported institutions, under the Work Projects Administration and Public Works Administration construction programs; (2) the support and control of the educational programs of the Civilian Conservation Corps; (3) the provision of work scholarships for needy students under the program of the National Youth Administration.

Although the National Youth Administration grants were a subsidy to individuals, most of these funds ultimately went to the institution in which these individuals enrolled, in the form of tuition fees or payments for board and room. In addition, the institutions received, in many cases, the benefit of the services rendered by the recipients. Federal funds received by institutions of higher education under these emergency acts ran into hundreds of millions of dollars.

Although these emergency programs all ended before or soon after the beginning of World War II, they left their mark on the pattern of financing higher education.

The fiscal relationships between the Federal Government and the colleges and universities were further expanded during World War II. This relationship was largely in the form of contractual arrangements for the training of military and civilian personnel, for research, and for other specific wartime needs and services. These contracts made it possible for many colleges to continue in operation during a critical time when other sources of income were temporarily reduced.

Since the end of World War II, the emergency role of the Federal Government in financing higher education has taken on a new and vastly larger aspect. Under the educational provisions of the GI Bill and the Rehabilitation Act, the Federal Government makes payments to nearly every institution of higher education in the country in the form of tuition and other fees for veterans. These payments totaled about \$301,000,000 in 1947 alone. Including this emergency income and the continuing forms of Federal aid, on the average all institutions of higher education, publicly and privately controlled, received

well over one-third of their current operating income during that year from the Federal government. In addition, the Federal government has provided invaluable assistance to colleges and universities in the form of capital additions through provisions for temporary housing, classroom, and laboratory facilities for the use of veterans. This assistance was made available to both privately and publicly controlled institutions. Like the aid under the GI Bill it does not, however, involve a continuing federal relationship with higher education.

In the fiscal year ending June 30, 1947, the Federal Government expended \$1,772,000,000 in connection with post-high school education. (See chart 6.)

These recent developments in Federal support of higher education emerged for the most part to meet specific needs affecting the national welfare—needs which extended beyond the bounds of State responsibilities. They could not have been met without the fiscal assistance of the Federal Government. They arose in times of national crisis. On each occasion, Federal policy was formulated and action was taken on the basis of temporary expediency. In the case of the emergency programs of the war and depression, they ended soon after the emergencies were past. The post-war program is scheduled to end when the educational entitlements of the veterans have been fulfilled. Nevertheless, each of these temporary programs has involved major changes in policy affecting Federal-State-institutional relationships. These changes, regardless of their origin, tend to have enormous influence for future action. It is extremely important, therefore, to be aware of them and their implications in any consideration of permanent policy for financing the future program of higher education.

BASIC PRINCIPLES OF FEDERAL RELATIONSHIPS TO HIGHER LEARNING

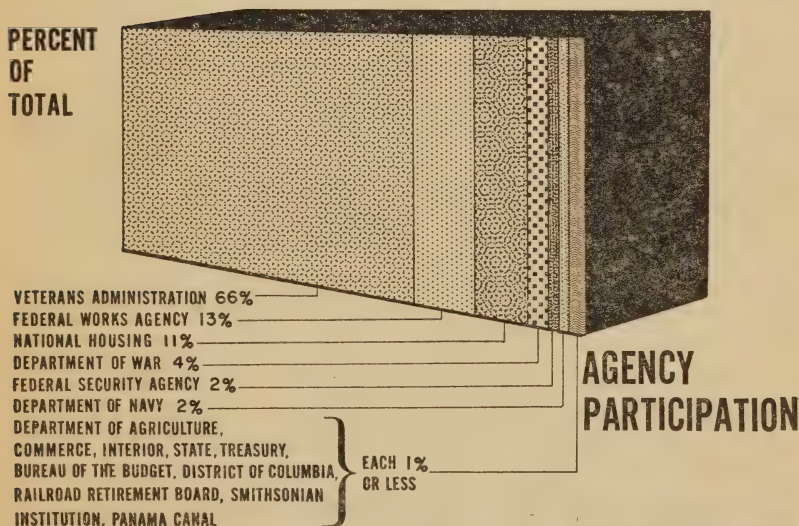
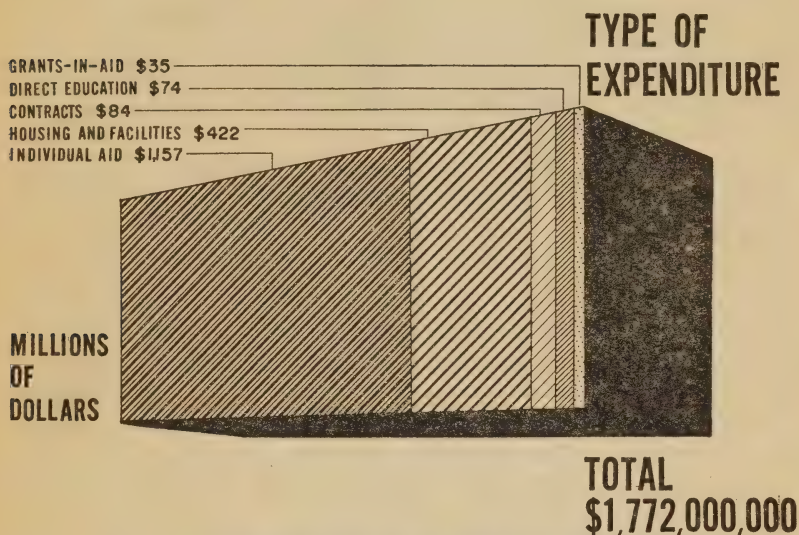
The relationship of the Federal Government to higher education is of vital concern not only to the colleges and universities, but to the Nation. Neither the earlier assistance based on special interest, nor the emergency appropriations of the depression and of the war periods offer a general pattern for the future.

The time has come for America to develop a sound pattern of continuing Federal support for higher education. The analyses presented in the preceding chapter show that the Federal Government must assume a large and important role in financing higher education.

The following basic principles are those which this Commission believes should guide the development and expansion of Federal financial relationship with higher education.

FEDERAL EXPENDITURES IN CONNECTION WITH POST-HIGH SCHOOL EDUCATION

FISCAL YEAR - 1947



SOURCE - ESTIMATES PREPARED FOR
THE BUREAU OF THE BUDGET

1. **In its relationships to higher education, the Federal Government should recognize the national importance of a well-rounded and well-integrated program of education for all citizens, regardless of age, sex, race, creed, or economic and social status**

Hereafter, Federal funds appropriated for education should not be used to promote one phase or level of education at the expense of another. It is in the interest of the national welfare that all levels and phases of education from the nursery school to the post-graduate school be of high quality. This means, therefore, that **Federal support for higher education should presuppose a strong and effective system of elementary and secondary education.**

Federal support for higher education should assist the States and localities to provide equality of educational opportunity for each individual able and willing to receive it.

2. **Federal funds for the general support of institutions of higher education should be distributed among the States on an equalization basis**

The plan of Federal aid should take proper account of the relative needs of the States for higher education, and of their varying economic abilities to meet these needs. It should provide that all States participate in the allocation of Federal equalization funds, each in proportion to its relative need. *It is important for the Federal Government to give some aid and encouragement in the development and improvement of higher education in the wealthier States, but its primary responsibility is to insure the maintenance of an acceptable minimum program in the poorer States.*

3. **Federal appropriations for the general support of higher education should clearly recognize the responsibility of the States for the administration and control of the education programs**

Federal funds for the development and general support of higher education should be paid to the States, not directly to the colleges and universities themselves. This procedure is necessary to insure coordination of State programs, and to avoid duplication, overlapping, and dual control by government. Federal assistance should supplement, but never supplant, the maximum effort of each State to carry the cost of its system of higher education. *The role of the Federal Government should be that of a partner with the States in their joint concern for those outcomes of education vital to national interests and to the rights of all American citizens under the Constitution.*

4. **Adequate safeguards should be established by the Federal Government to assure the full realization of the purposes for which aid is to be granted**

These safeguards should include the requirements of a post-audit and the publication of adequate reports by the States and institutions

participating in Federally sponsored programs. They should include authority for the Federal agency administering the law to withhold funds from any State or local agency which fails to meet the prescribed provisions.

Any Federal measure intended to achieve equal opportunity for all American youth should contain provisions to insure, that in sections of the country where separated systems of education are maintained on a basis of race, sufficient regulatory powers are vested in the Federal Government to permit withholding of appropriations whenever it is established that racial or minority groups are being discriminated against by the disbursement of such funds. Full implementation of the recommendations of this Commission for the equalization of educational opportunity for all youth is not possible otherwise.

5. Federal funds for the general support of current educational activities and for general capital outlay purposes should be appropriated for use only in institutions under public control

A prime responsibility of government in a democracy is to provide equal opportunities for all its citizens to receive a high quality education. This is implied in the "general welfare clause" of the Federal Constitution. It has been recognized by the people of almost every State in the form of specific constitutional mandates to the State legislatures.

To discharge this responsibility, it is thus the fundamental obligation of government to establish a sound system of public education and to support it to the fullest extent possible. It is a denial of this responsibility when at any time the chosen representatives of all the people neglect to meet fully this basic obligation.

The responsibility for providing a strong system of public education does not, however, deny in any way to any individual or group of individuals the right to attend, or to establish and support in addition to public schools, a private or denominational institution for the purpose of providing, within limits prescribed by law, a kind of education which such individuals or groups deem more suitable to their particular needs and beliefs. It is just as undemocratic for the government to restrict in any way this fundamental right, as it is for government to fail to meet its prime responsibility for a strong system of public education. Nevertheless, any diversion by government of public funds to the general support of nonpublicly controlled educational institutions tends to deny the acceptance of the fundamental responsibility and to weaken the program of public education.

Sound public policy demands, furthermore, that State and local public educational bodies be able to exercise at all times the right to review and control educational policies in any institution or agency for which public monies are appropriated and expended. Public responsibility for support of education implies public responsibility for the policies which are supported. It follows, therefore, that the acceptance of public funds by any institution, public or private, should carry with it the acceptance of the right of the people as a whole to exercise review and control of the educational policies and procedures of that institution. Such acceptance by privately controlled institutions would, in the opinion of this Commission, tend to destroy the competitive advantages and free inquiry which they have established and which are so important in providing certain safeguards to freedom. It would be contrary to the best interests of these institutions as well to those of society in general.

It has long been an established principle in America that the responsibility for education resides with the States. This principle stems from the clause in the Federal Constitution which provides that all functions of government not specifically allocated to the Federal Government by the Constitution shall be left to the States. The Commission believes, therefore, that the determination of what institutions or systems of education are publicly controlled and thus eligible to receive public funds for the support of higher education, as recommended by this Commission, should be left to the States.

6. Federal funds provided for scholarships or grants-in-aid for the purpose of helping individuals of ability and fellowships for those of special talent to obtain equality of opportunity in education should be paid directly to the qualifying individuals

It is in keeping with the principles of democracy that each individual should have as free choice as facilities permit in determining the educational institution which he deems most suitable to his needs and interests, regardless of whether that institution is under public, private, or church control. That choice can be fully protected only if scholarships or fellowships, such as those proposed by this Commission in Volume II, "Equalizing and Expanding Individual Opportunity," are paid directly to the qualifying individuals.

7. As is deemed necessary, the Federal Government should make contracts with individual institutions, publicly or privately controlled, for specific services authorized by national legislation

It is in the best interests of the national welfare that the Federal Government be able to contract for services authorized by national legislation with whatever institution or agency can most efficiently and economically provide the kinds of services needed. These serv-

ices may include projects for research or training. In order to insure the protection of the public interest, such contracts should express explicitly the terms under which the services are to be provided, including the capital outlay essential to conduct them.

A PROGRAM OF FEDERAL FINANCIAL ASSISTANCE TO HIGHER EDUCATION

Although the urgent needs for higher education in America fully justify and demand that immediate steps be taken toward the realization of the complete program recommended by the President's Commission, the Commission is well aware of certain practical problems involved in attaining the goals. These problems demand that the approach to the proposed program be gradual and that appropriate account be taken of the needs of education at all levels.

More of the Nation's youth must find it possible and profitable to remain in high school through graduation. Elementary and secondary schools must be improved and greater equality of educational opportunity provided at these levels. Frequent studies have shown convincingly that Federal financial assistance is necessary in accomplishing these objectives. Such assistance should be provided at these levels concurrently with any assistance at the higher-education level.

Appropriate and readily accessible programs of higher education must be developed. Adequate physical facilities must be constructed. Greater awareness on the part of youth and adults of the importance of further education will need to develop. These things will take time—sufficient time to allow for sound planning and development.

Nevertheless, there should be no delay in moving immediately toward the ultimate attainment of the proposed program. Planning and development should begin at once. With this in mind, the President's Commission recommends that the following program of Federal aid for higher education be adopted and put into action in the fiscal year 1948-49.

A National Program of Scholarships and Fellowships

To establish greater equality of educational opportunity for those able and interested in continuing their education beyond high school, the Federal Government, as previously stated, should appropriate for the fiscal year 1948-49 the sum of \$120,000,000 for a national program of scholarships to be administered by the States in accordance with general standards established by the Federal Government. This appropriation should be increased annually through 1952-53 in an amount sufficient to provide scholarships for 20 percent of the nonveteran enrollment. This appropriation

is in addition to the programs already established by the Federal Government for scholarships in special fields. It is recommended that all Federally financed scholarships and fellowships be unified into one generally available program.

To develop and encourage youth of special talent to rise to the top level in the professions, research, and instruction the Federal Government should provide 10,000 fellowships in 1948-49, 20,000 in 1949-50, and 30,000 in 1950-51, 1951-52, and 1952-53. This program calls for an appropriation of \$15,000,000 in 1948-49, \$30,000,000 in 1949-50, and \$45,000,000 each year thereafter through 1952-53. These amounts should be in addition to those now available from the Federal Government in special fields.

Prior to 1953 the scholarship and fellowship program should be reexamined with a view to expanding it. Further details regarding the distribution and administration of these funds are described in Volume II of this report "Equalizing and Expanding Individual Opportunity."

Federal Aid for Educational and General Purposes

Amounts. Federal aid to the States for educational expenditures by publicly controlled institutions of higher education should be initiated with an appropriation for the fiscal year 1948-49. This should be an amount equal to one-twelfth of the \$638,000,000 possible deficit in realizing the complete program of higher education recommended by this Commission for 1960. This appropriation should be increased each year thereafter by one-twelfth of the original amount until 1952-53 when the program should be reexamined in terms of the progress made by that time toward realizing the goals proposed for 1960. This means that the appropriations should be as follows:

1948-49	\$53, 000, 000
1949-50	106, 000, 000
1950-51	159, 000, 000
1951-52	212, 000, 000
1952-53	265, 000, 000

These amounts are in addition to the continuing appropriations of the Federal Government referred to in Chapter III, which are expected to be about \$210,000,000 in 1960.

Basis of allocation. It is recommended that all States share in the appropriations for educational and general aid, and that this aid be apportioned among the States on an equalization basis, each State's share being determined in accordance with an objective formula designed to measure the State's relative need for higher education and its relative ability to finance an adequate program.

The development and application of such a formula involves the use of technical measurements. It should be formulated and frequently reviewed on the basis of studies made of the cost of various levels and types of an adequate program of higher education, of the relative needs of the population for higher education at the various levels, of the relative abilities of the States to support education, and of the fair share of the burden of cost which should be borne by State and local governments.

Federal Aid for Capital Outlay

Appropriations. The total additional amounts needed by publicly controlled institutions to expand their physical plant to the recommended size by 1960 is \$7,758,000,000. *Under the plan envisioned by this Commission, the Federal Government would provide one-third of the total amount of the expansion. The remaining two-thirds would then be provided by the States, with whatever assistance local governments can give.*

This building program should be initiated as soon as possible, and proceed at a rapid pace toward completion. Only if the physical facilities are available can expanded educational opportunity exist for the youth of this Nation. Yet, there are good reasons for not advocating an extensive building program in the immediate future. The scarcity of labor and materials in the building industries, the desperate national need for more housing, and the high prevailing costs are among these reasons.

It is to be understood, that a building program of the size recommended cannot be undertaken and completed in a short time, and, because of its magnitude, must be integrated with other building programs of national importance. To start the program, therefore, it is recommended that in 1948-49 there be appropriated a sum equal to one-twelfth of the total amount this Commission deems suitable for Federal participation, or \$216,000,000. In the years from then through 1952-53, it is suggested that at least that same amount be appropriated annually. After 1952-53, the program should be reviewed with the idea of establishing a flexible pattern of appropriations consistent with the needs as they appear at that time and in the light of potential developments beyond that date.

Basis of allocation. It is recommended that Federal aid for capital outlay be apportioned among the States on an equalization basis, similar to that proposed for general aid. The allocation should be determined through the use of an objective formula based on building needs in the States, variations in building costs, and the relative abilities of the States to finance necessary construction. Provision should be made for frequent review of the formula in the light of fluctuating costs and changing educational needs.

Conditions Governing State Participation in Federal Aid for Higher Education

A State's participation in Federal funds for educational and general purposes or for capital outlay should be conditioned upon:

(1) Designation by State legislation of an official body to have jurisdiction over higher education and act as the agency to represent the State in matters pertaining to the allocation of the Federal funds within the State.

(2) Requiring by State law that the Federal funds be expended within the State in a manner which will provide for equality of individual opportunity for higher education.

(3) Assuring within the State an equitable expenditure of Federal funds between white and Negro institutions, in case the State maintains separate institutions for whites and Negroes, without reduction of the proportion of State and local funds spent for the higher education of Negroes.

(4) Requiring the designated official State body to establish for itself and the institutions of higher education under its jurisdiction procedures for compliance with Federal requirements on statistical reporting, record keeping, and post-auditing.

A FINAL WORD

In this chapter the President's Commission has recommended the basis for a strong continuing role of the Federal Government in financing higher education. It has proposed a role commensurate with the responsibilities of higher education in a democracy; a role which, when accepted in full, will make college and university education equally available to all Americans without regard to race, creed, sex, national origin, or economic status.

The proposed role, however, is not entirely a new one. For more than a century and a half the Federal Government has encouraged and supported specific fields of higher education and research. In times of national emergency it has expanded its support to give heightened recognition of the indispensable services which can be rendered to the Nation by the colleges and universities. But aid for a few specific needs and temporary action in times of crisis are not enough. *The time has come when the Federal Government must concern itself with the total and long-time needs for higher education. These needs are ever present and ever increasing. Higher education is no less important to the Nation in calmer times than in periods of national crisis.*

Although major emphasis in this volume has been given to the role of the Federal Government, this emphasis does not in any sense lessen the responsibility of local and State governments and of private interests in financing an adequate program of higher education. In-

deed it is the firm conviction of this Commission that every effort must be exerted by the States and their subdivisions. The Commission is equally firm in its conviction, however, based on its study, that these needs are so great and so important that the maximum effort which may be reasonably expected from local and State governments will not be sufficient to provide all of the funds required to realize the complete program of higher education which the times demand. The role, therefore, proposed for the Federal Government is that of a partner—a partner jointly responsible with the States and localities for attaining the goals for higher education in a democracy.

The development of a carefully planned, well conceived, and cooperatively evolved program of higher education will entail a continuing study of national needs and resources and the relative role of both governmental and nongovernmental sources of income.

Statement of Dissent

This statement of dissent is concerned primarily with the unqualified recommendation of the Commission that Federal funds for current expenditures and capital outlay be appropriated for use in publicly controlled institutions of higher education only. A careful review of the Commission's report as a whole has convinced us that this particular recommendation is inconsistent with other policies and proposals advocated by the Commission. Furthermore, the reasons proposed by the majority of the Commission in support of this recommendation are really nothing more than declarations that public colleges and universities must have a priority for Federal funds and that private institutions would be subjected to governmental control if they should accept Federal funds. These declarations do not furnish any valid support for the statement of a principle that, under no circumstances and regardless of State policies and practices, may Federal funds for current expenditures and capital outlay be provided to privately controlled institutions of higher education as such. Nowhere in the report are any sound reasons given on the basis of which privately controlled colleges and universities, which have had long and distinguished records of service to our Nation in peace and war, should be disqualified from the benefits of a Federal-aid program.

Before presenting in detail the reasons for our position, we wish to stress the point that our dissent is not a mere personal plea for the special interests of private education. A recent poll conducted by the American Council on Education revealed that 241 members, about half of those replying to the Council's questionnaire, voted in favor of the proposition that Federal funds be made available "to nonprofit private as well as to public education," including, therefore, privately and publicly controlled institutions of higher learning. And these votes, we have every reason to believe, were cast in the best interests of the general welfare. In light of this fact, we, as members of the Commission, are convinced that it is our duty to state to the President of the United States and to the American public that this drastic recommendation to bar private colleges and universities from receiving Federal funds does not reflect the thinking of the most representative cross section of American college and university leaders and will certainly have dangerous implications for the future welfare of both public and private higher education.

This recommendation, as we understand it, is based on a theory of educational finance which asserts that "public control" rather than "service to the public" shall be the sole criterion of a school's eligibility to receive public funds. Underlying this theory is the assumption that American democracy will be best served by a mighty system of public higher education to be financed by local, State, and Federal taxes, and to be controlled, managed, and supervised by governmental agencies. Accordingly, the Commission's report predicts—and without regrets—the gradual elimination of those private colleges and universities which are unable to keep pace with their publicly endowed competitors. The report also envisions the development of a Nationwide system of higher education in which private colleges and universities will play an increasingly minor role.

We believe it is timely in this connection to call attention to the dangers of a higher educational system largely or completely dominated by the State. Exclusive control of education, more than any other factor, made the dictatorships of Germany, Italy, and Japan acceptable to an ever-increasing number of their populations. The question immediately comes to mind whether American education can continue to withstand the modern social trend toward governmental domination of the educational process. We confess definite misgivings on this point, now that the Commission has so decisively recommended a monopoly of tax funds for publicly controlled colleges and universities. We fear that legislation implementing the Commission's recommendation would go a long way toward establishing an administrative structure for higher education whereby Government in the United States might easily use the Nation's public colleges and universities to promote its political purposes.

With respect to the report itself, we are unable to determine why the Commission recommended in such an unqualified fashion that no Federal funds for current expenditures and capital outlay be given to private institutions of higher learning. Throughout the report there are frequent references to the quasi-public functions performed by private colleges and universities, and repeatedly these institutions are praised for their achievements in serving the public welfare. We note also that the Commission had no hesitancy in recommending that private institutions should lower their fees, adopt certain personnel practices, accept contracts from the Government for specialized research, admit students who receive national scholarships and fellowships, and follow a policy of nondiscrimination in admitting members of minority groups. In the Commission's own words:

" . . . It is becoming generally acknowledged that, despite a large measure of private control and private support, these institutions are vitally affected with the public interest. Not only is this reflected

in the privilege of tax exemption which they are accorded, but also in the process of State accreditation in certain States, and in the recognition that they constitute part of a program of higher education dedicated to the Nation's welfare. They are thus genuinely vested with a public interest and as such are morally obligated to abandon all restrictive policies. . . ."

The Commission accordingly has decided that, although private institutions must render the same public service as do public schools, they shall receive none of the funds appropriated by Government as compensation for the public service rendered. This decision would appear to us as arbitrary, to say the least.

In making this recommendation, the Commission apparently lost sight of its primary purpose which was to propose ways and means of equalizing educational opportunity for higher education on a much broader basis than ever before in history and to provide for the expansion and development of educational facilities at the higher levels to meet the needs of a vastly increased number of students. In the light of this purpose, nothing could be more untimely, nothing more futilely doctrinaire than for this Commission to adopt a recommendation which would, in effect, destroy the happy balance and cordial relations which now exist in higher education, and which would cause many of our great private institutions to curtail expansion of facilities at a time when such expansion is absolutely necessary in terms of the general welfare.

We now turn our attention to the specific reasons allegedly supporting the recommendation to which we object. In our opinion, these reasons are either gratuitous or specious. The report declares that Government has "a prime responsibility" to provide opportunities for higher education and has a "fundamental obligation . . . to establish a sound system of public education and to support it to the fullest extent possible." The report also states that the discharge of this responsibility "does not deny in any way" the right of individuals to have and to support their own schools. We fail to see how it follows from these "reasons" that private institutions which are, as a matter of fact, cooperating with the Government by providing a "high quality" education for thousands of young men and women should be disqualified from receiving Federal aid.

We are not impressed by the Commission's admonition that the acceptance of Federal funds would expose private education to Federal control. The very same admonition might be directed to publicly controlled colleges and universities. As the report clearly indicates, it is the policy of the Commission that Federal aid to education must not impose upon the institutions assisted any form of Federal control over their academic or personnel practices. Furthermore, it is the con-

sidered judgment of the Commission that publicly controlled colleges and universities may accept Federal aid without submitting to any Federal dictation on their academic policies. There appears to be no reason why Federal aid to privately controlled institutions would entail a greater risk of Federal control than would similar aid to publicly controlled institutions. In practice, the amount of Federal aid to any institution would not be large enough to expose the institution to Federal control as ordinarily understood.

We submit that the criterion of a school's eligibility to receive Federal funds should be its "service to the public" and not "public control." Our position is based upon our conviction that American democracy will be best served if higher education in the future, as in the past, will continue to be regarded as a responsibility to be shared by public and private colleges and universities. This American tradition of democratic school administration suggests that the Government should be disposed to aid any qualified college or university, regardless of whether it is administered by a quasi-public body, like a board of trustees appointed by the State officials or elected by the people, or whether it is managed by a private nonprofit corporation. In no case should Government be conceded the right to measure its financial aid to an institution by the degree of control which it exercises over its administration. In the matter of control, the Government must be neutral. Its standard is "service to the public" and this standard squares with the American tradition of democracy in education.

That private colleges and universities do perform a public service is a fact beyond dispute. We see no reason why they should not continue and be helped to continue this service.

Msgr. **FREDERICK G. HOCHWALT.**
MARTIN R. P. MCGUIRE.

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